Precision Drilling Corporation

Canadian eh...

2000 Annual Report

This year's annual report celebrates 15 years of robust growth for Precision. It focuses on the critical goals we have set and met over the last year and the factors crucial to the continued growth of our company.

It is no accident that today, Precision is at the forefront of the drilling and service industry in Canada and making inroads globally. Our achievement is the result of a decade of hard work, careful planning, bold strategic moves and, as in any business, some good fortune.

Precision Drilling Corporation is an international oilfield services company. In a 15 year span, Precision has grown from a three rig drilling contractor in western Canada, with $4 million in revenue to a multi-service international oil and gas service company with revenues exceeding $1.3 billion. Through a series of targeted acquisitions, the Corporation has expanded its suite of services and now provides them on five continents.

In its steadfast pursuit of operational excellence in every endeavour, Precision has emerged in this, a new millennium, as a strong and tenacious competitor. We are well positioned to provide innovative technology, unparalleled service and dedicated support to our customers worldwide. We are committed to sustained strength and profitability – enterprise wide – for the benefit of all shareholders.

...with a global presence

IN THIS ANNUAL REPORT

... with a global presence ▮ Page 1 How We've Done This Year ▮ Page 2 Disclosure Matters ▮ Page 4

Tab 1 ▮ GROWING — Report of the Chief Executive Officer ▮ Page 5

Tab 2 ▮ DIVERSE — Operating Matters: Our knowledge, products and services and skill sets ▮ Page 13

Tab 3 ▮ INVOLVED — Our role in the workplace, environment and our communities ▮ Page 31

Tab 4 ▮ SOLID — Financial Matters: MD&A and our consolidated financial statements and notes ▮ Page 39

Tab 5 ▮ CANADIAN – How we've done historically, who we are and where to find us ▮ Page 73

HOW WE'VE DONE THIS YEAR

FINANCIAL PERFORMANCE SUMMARY

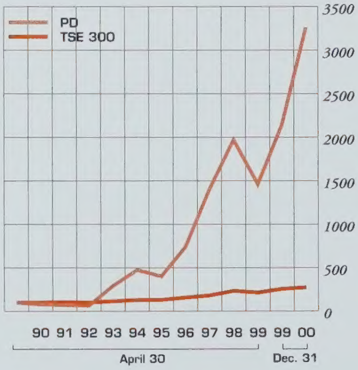
(Stated in thousands of dollars, except per share amounts which are presented on a fully diluted basis)

Years ended December 31,	2000	1999	% Change
Revenue	$ 1,355,453	$ 734,740	84
Operating earnings	260,845	117,494	122
Cash flow (1)	297,873	100,036	198
Per share	5.69	2.13	167
Earnings before goodwill amortization	154,321	50,081	208
Per share	2.98	1.09	173
Net earnings	131,560	34,250	284
Per share	2.55	0.76	236
Shareholders' equity	1,206,895	908,795	33
Per share	23.08	19.27	20
Net capital expenditures (2)	180,484	41,148	339
Long-term debt	548,096	226,815	142
Number of shares outstanding, end of year (000's)	52,283	47,163	11

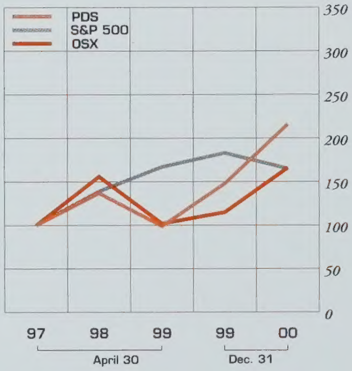
(1) Funds provided by operations
(2) Excludes acquisitions

THE TRACK RECORD

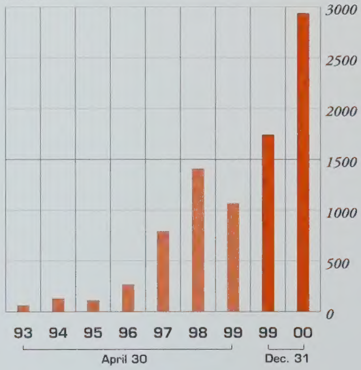
Share Performance TSE
Up 52% over 1999



Share Performance NYSE
Up 46% over 1999



Value of Shares Outstanding
Up 69% over 1999
$ Millions



HOW WE'VE DONE THIS YEAR

QUARTERLY RESULTS SUMMARY

(Stated in thousands of dollars, except per share amounts which are presented on a fully diluted basis)

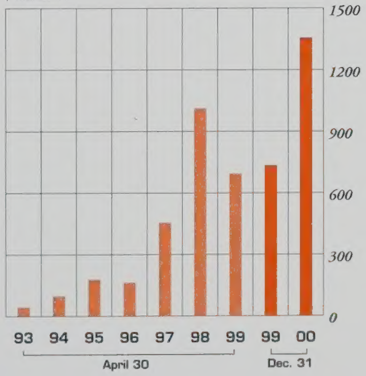
Year ended December 31, 2000	Q1	Q2	Q3	Q4	Total
Revenue	$ 384,400	$ 223,812	$ 303,354	$ 443,887	$ 1,355,453
Operating earnings	93,847	24,131	48,141	94,726	260,845
Cash flow (1)	107,148	35,096	56,092	99,537	297,873
Per share	2.10	0.68	1.09	1.82	5.69
Earnings before goodwill amortization	49,573	11,136	23,453	70,159	154,321
Per share	0.98	0.23	0.46	1.31	2.98
Net earnings	45,291	6,835	16,903	62,531	131,560
Per share	0.90	0.14	0.34	1.17	2.55

Year ended December 31, 1999	Q1	Q2	Q3	Q4	Total
Revenue	$ 193,855	$ 98,134	$ 185,081	$ 257,670	$ 734,740
Operating earnings	41,259	4,766	25,802	45,667	117,494
Cash flow (1)	2,489	7,692	39,606	50,249	100,036
Per share	0.06	0.18	0.85	1.04	2.13
Earnings before goodwill amortization	12,779	5,454	11,797	20,051	50,081
Per share	0.29	0.13	0.25	0.42	1.09
Net earnings	9,057	1,849	7,643	15,701	34,250
Per share	0.21	0.05	0.16	0.34	0.76

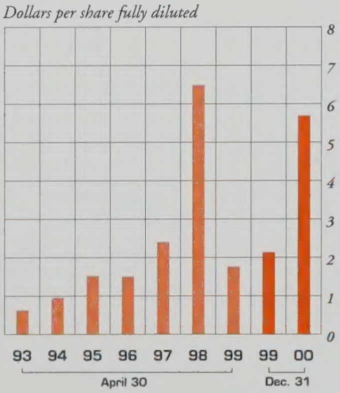
(1) Funds provided by operations

THE TRACK RECORD

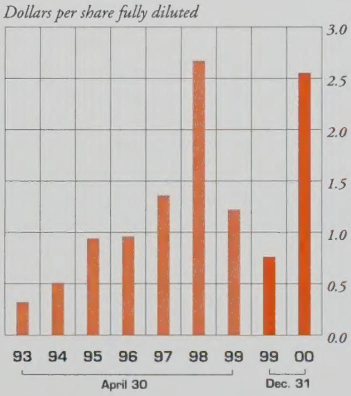
Gross Revenue
Up 84% over 1999
$ Millions



Cash Flow
Up 167% over 1999
Dollars per share fully diluted



Net Earnings
Up 236% over 1999
Dollars per share fully diluted



DISCLOSURE

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report, including statements which may contain words such as "could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts are forward-looking statements including statements as to: future capital expenditures, including the amount and nature thereof; oil and gas prices and demand; expansion and other development trends of the oil and gas industry; business strategy; expansion and growth of the Corporation's business and operations, including the Corporation's market share and position in the domestic and international drilling markets; and other such matters.

These statements are based on certain assumptions and analyses made by the Corporation in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Corporation's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from the Corporation's expectations, including: fluctuations in the price and demand of oil and gas; fluctuations in the level of oil and gas exploration and development activities; fluctuations in the demand for well servicing, contract drilling and ancillary oilfield services; the existence of competitors, technological changes and developments in the oil and gas industry; the ability of oil and gas companies to raise capital; the effects of severe weather conditions on operations and facilities; the existence of operating risks inherent in the well servicing, contract drilling and ancillary oilfield services; political circumstances impeding the progress of work in any of the countries in which the Corporation does business; identifying and acquiring suitable acquisition targets on reasonable terms; general economic, market or business conditions; changes in laws or regulations, including taxation, environmental and currency regulations; the lack of availability of qualified personnel or management; and other unforeseen conditions which could impact on the use of services supplied by the Corporation.

Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Corporation will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Corporation or its business or operations. The Corporation assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

Growing...

– big enough to meet our customers' needs – anywhere!

REPORT OF THE CHIEF EXECUTIVE OFFICER

FELLOW SHAREHOLDERS,

By almost any measure fiscal 2000 was a great year for our company. It did not happen by chance.

Fifteen years ago we devised a strategy to build Precision into the premier drilling contractor in Canada. With the execution of this strategy well in hand, we expanded our focus to become the dominant player in the Canadian oilfield services industry.

The key ingredients to success were technology, operating excellence and motivated people. From drilling rig design to satellite transmission to downhole tools, Precision has developed a unique product mix. As far back as the late 80's, we invested heavily in rig technology. Today that is paying off, giving us an efficient, modern and high-tech fleet that is second to none in the world. Along with new drilling technology, we added complementary products and services. Part and parcel of this strategy was an unshaken commitment to safety throughout the entire expanding organization to protect the employees and assets of both Precision and our clients, while reducing costs and improving efficiency.

MORE THAN CANADIAN

Precision has succeeded in executing this strategy and now is adding a global element to it. We are clearly in the forefront of leading service companies in Canada. But through our focus on more exotic drilling technology, we are now developing a new generation of products and services that will address clients' needs around the world.

The delivery in August 2000, of Rig 709, one of our Canadian designed and built Super Single™ drilling rigs to Kazakhstan, illustrates the desirability of our rig technology. Our multinational client required a fast moving, fast drilling rig to help it meet its contractual commitments. Rig 709 has been able to punch down holes in a few days where previous contractors took weeks. In Venezuela, our fleet has expanded and continues to be highly utilized, again underscoring the yields of our well planned investment in rig technology and rig management systems.

The same discipline is applied to our Oilfield Specialty Services segment. Our wireline business developed and released several new tools, while expanding our open hole logging activities into the US to complement an established cased hole operation. Today's underbalanced drilling (UBD) technology developed on the plains of southeastern Saskatchewan, has found its way to the production platforms of the southern North Sea. Using Precision's new offshore UBD separation design, our multinational client was able to drill and profitably produce a previously unproducible reservoir. The ultramodern Polar Completions tool facility has enabled Precision to win supply contracts from Australasia to the Middle East through fast-track tool design and speedy delivery. The Western Canadian Sedimentary Basin (WCSB), one of the most actively drilled basins, is at the forefront of directional and horizontal activity. As a leader in this market,

Precision is exporting its expertise drilling deviated and lateral wellbores in new and existing reservoirs in Latin America, the US, Europe and India.

As our technology becomes more widely accepted, we believe our customers will take us to even more frontiers. We already have a presence in a number of countries around the world but, to effectively and efficiently deliver all of our services under one umbrella, the Oilfield Specialty Services segment has developed an international structure. The position of Regional Director of Operations has been established for five strategic geographical areas: US, Europe/Africa, Middle East, Asia Pacific and Latin America. Each Regional Director will be located in their area with a local infrastructure to support the various product lines. Our Regional Directors are seasoned oilfield professionals with experience and knowledge of all active local customers within their regions.

With strong local familiarity, Precision will be able to more effectively develop business operations in each of these geographical areas. Recent acquisitions have already contributed to this network creating support services from which the company can leverage.

RECORD PERFORMANCE

The results of fiscal year 2000 clearly reveal how our strategy is evolving. We depend and will continue to depend on internal organic growth, external growth through acquisitions and most importantly, a commitment to significant research and development. More specifically, Precision last year spent $201.0 million in capital expenditures (internal growth), $599.4 million on acquisitions (external growth) and $20.3 million on research and development. The total is $820.7 million, not an inconsequential sum. These investments are bearing great fruit and have positioned our company for what we believe will be significant upside potential.

Revenues of $1,355.5 million rose $620.7 million or 84% over the prior year. Operating cash flow and net earnings of $297.9 million and $131.6 million were up $197.8 million or 198% and $97.3 million or 284% respectively over fiscal 1999. Of this revenue growth, 73% was internal and 27% came through acquisitions. It is also noteworthy that our international revenue grew 109% from $119.5 million to $250.3 million while our domestic revenue grew by 80%.

Contributing to our earnings was a $19.9 million tax reduction, which is a result of substantively enacted Federal tax changes. This reduction, plus the proposed Provincial tax cuts, are anticipated to have significant positive impact on Precision's earnings and cash flows in the future. This tax reform represents the biggest incentive given to business by our governments in recent history and creates an environment for increased corporate profitability.

Our financial success is due only in part to our corporate prowess. The business environment clearly played a significant role especially as rising oil and gas prices dictated greater service activity. Yet, Precision was ready to deliver and prepared to capitalize on the business opportunities as they presented themselves.

OUR OPPORTUNITIES

We are positive about the continuing prospects for high levels of both gas and oil exploration and production. We possess many of the products, services and technologies that are in high demand now. The strategies we implemented several years ago now position the Corporation to leverage off the strong economic fundamentals.

Natural gas continues to be a good news story throughout the WCSB. In the last few years, the supply of North American gas has lagged behind the growth in demand. The low oil price environment of 1997-98 reduced the cash flows of producers and contributed to curtailing gas drilling activity. There was always the incentive for consumers to want "clean" natural gas as a fuel but there was little incentive to produce it at then prevailing prices. There were few new utilities coming on stream even as the demand for natural gas grew and steeper decline curves appeared for reserves. This implies a tight supply for natural gas for some time to come.

Our neighbour to the south, the United States, is hungry for gas. Rotating blackouts in California this winter highlight a critical electrical shortage in certain areas of the US. The absence of new electrical capacity, strangled by the ineffectiveness of deregulation, and compounded by the ever-increasing electrical demand for the Internet and e-business, has sparked a flurry of announced additions to the US electrical generation fleet. Analysts predict that over 95% of these projects will be fired by natural gas, for economic and environmental reasons. US gas consumption is predicted to grow by 26% as we approach the end of the decade.

Canada will remain an important source of gas supply for the US and Precision stands to benefit. To meet short-term demand, producers must develop their current reservoirs. This translates into high utilization, especially for our shallow and medium depth rigs. Our Oilfield Speciality Services and Rental and Production business segments will also experience high activity levels. Producers in their search for new, longer-life and more productive reservoirs will move west and north to drill deeper. With more than half the deep rigs in Canada, Precision will capitalize on this shift to deeper gas drilling.

The gas reserves of the Mackenzie Valley and other northern gas basins are another important source of supply for burgeoning North American demand. Our participation with Mackenzie Delta Integrated Oilfield Services, an Inuvialuit company, qualifies Precision as one of the only two drilling

contractors able to drill in the Canadian far north. We have laid the necessary foundations for all our segments to participate in this vast northern expanse as explorers prove up northern gas and build the necessary infrastructure to deliver it to voracious southern markets.

Further south, Mexico with its untapped gas basins, can also be an important supplier to the US. Recently, Precision, as a part of a joint venture, was awarded a US $270 million, 240 gas well project, in the Burgos Basin in northern Mexico. As project manager and lead contractor, the Corporation will supply drilling rigs, wireline, directional drilling, and well testing services, drill bits and downhole completion tools. This high profile project gives Precision a foothold in a new, expanding market eager for all the services and products we can deliver.

We continue to observe a tight balance in the world demand and supply of crude. Such conditions should keep the price of crude relatively high, spurring on more oil drilling activity. Analysts predict that overall exploration and production spending will increase 20% world wide for this coming year and that the majority of all regions in the world will increase their drilling numbers for a second straight year. The demand for our oil-related technology, services and products both domestically and in international markets should continue to be robust.

The world reserves of light crude oil are in decline. Refineries in North America are continuing to upgrade their plants as they switch their diets to heavier crudes. Heavy oil is abundant in Canada and its geological risk is minimal. As North American demand for oil grows, the WCSB will increasingly be a significant source of supply. Both our Super Single™ rigs and the horizontal drilling capabilities of the Oilfield Specialty Services segment will be called upon more as producers increase their use of Steam Assisted Gravity Drainage (SAGD) technology and multilateral technology in order to exploit the heavy oil reservoirs.

In addition to heavy oil drilling, Precision's downstream businesses are already benefiting from the increased oil sands activity. Oil sands giants, with their multi-billion dollar expansions of their plant facilities, plan to increase their combined output from around 300,000 bbl/day to over 900,000 bbl/day by 2008 providing opportunities for new and ongoing maintenance requirements.

ACQUISITIONS

In 2000, Precision completed a number of significant acquisitions worth almost $600 million, which strengthened our market position in several sectors, and provided additional platforms for future growth.

The Plains Energy Services acquisition underscores our belief in the strength and longevity of Canadian oil and gas production. Their wireline, UBD, coiled tubing drilling rigs,

workover rigs and well testing product lines expand or enhance most of the current product lines in our Contract Drilling and Oilfield Specialty Services business segments. Their coiled tubing drilling rigs, combined with our own existing design, propel Precision into a leading edge position in this technology. The exceptional timing of this acquisition coincided with the strong recovery in Canada and now affords us the opportunity to harvest free cash flow to invest in our technological and strategic international expansion.

The takeover of CenAlta Energy Services, with its 163 service rigs and 10 drilling rigs catapulted Precision to the position of owning the largest workover rig fleet in Canada. With service rig fleet ownership now consolidated (three public companies own 65% of the industry fleet), we envision a new era of pricing discipline and stable margins. The highly fragmented, low return characteristics of the traditional service rig market are beginning to disappear. When we consolidated our drilling rig fleet, we were able to utilize economies of scale, improve operating efficiency and leverage technology to lower our daily operating costs. These same disciplines and proven business models are now being applied to our service rig business. The CenAlta acquisition, with its diverse range of rigs, also expands our capability to capitalize on future international well servicing opportunities.

In recent years, Geoservices S.A., has developed leading edge electromagnetic (EM) directional and horizontal technology. BecField Drilling Services was a niche player with attractive short radius and rotary steerable technology. As small private companies, both lacked the financial and operational depth to take full advantage of global markets. By combining our engineering and financial strength with their international presence we are creating the foundation for global expansion with a delivery system for new technologies.

Following each acquisition, integration teams, systems and infrastructure are put in place to ensure a smooth transition into the Precision fold. One of the groups I am proud of is our Information Technology department. In past years Precision has invested wisely in the development of our enterprise resource planning software. This specialized software efficiently accommodates our fast growth rate and our track record of acquisitions. For example our payroll system, one of the most complex in Canada, seamlessly accepted 1,700 former CenAlta employees with their multitude of pay scales, tax withholding requirements and multi-provincial tax rates. Timely management information is paramount to operate our businesses profitably and efficiently and Precision will continue to invest in such essential support services.

TECHNOLOGY

Precision's traditional focus on technology is attracting increasing opportunities from our international customers. Advantage Engineering Services (AES), our new research and development facility in Houston boasts a team of engineers, scientists and programmers that are equal to any in the world.

This group has a proven track record and 500 years of combined experience in developing high-tech downhole tools. AES's mandate is to develop next generation Logging While Drilling (LWD) and Measurement While Drilling (MWD) tools whose performance and durability will create a higher standard of excellence in the industry. The prize is a share of the lucrative US $2.3 billion directional, MWD/LWD market in which there are only a few players. This market is expected to grow significantly as producers continue to explore and produce the deep-water offshore plays. Our first tools are scheduled to be in field trials in early 2001 and the remaining suite of tools will roll out regularly through 2002. While the costs of research and engineering are charged to current periods, this technology will construct a new platform on which to generate future earnings.

Our wireline product group has introduced a number of new wireline innovations to the market in the past year. A high speed Wireline Communication System now enables our trucks to record more data at faster rates during logging operations and provide better quality data for our clients. New logging tools such as our ShortStak production logging tools, Hi-Res Borehole Compensated Sonic tools, and Multi Array Neutron tools were released to complete and enhance our product offerings to our clients. All these tools now can connect to our satellite COMSTAR system so clients can view, manipulate and assess their logs in near real time over a secure Internet connection anywhere in the world.

UBD technology advances included the completion of a 5,000 psi rotating blowout preventer for higher pressure UBD well control as well as the commercialization of a new small footprint high pressure gas separator utilized in the demanding environment of the North Sea.

As I write, the next generation coiled tubing drilling rig, the Cisco 2000 is in field trials. As a leader in coiled tubing drilling we have taken our experiences and translated them into a new style of rig with major improvements in coiled tubing handling and injection. The Cisco 2000 rig will be able to drill to 2,000 metres with 3½" coiled tubing to qualify as the deepest and largest diameter rated coil land rig for grass roots drilling in the world. Developments such as these maintain Precision's leadership in shallow and medium depth drilling.

The ability to produce free cash flow in our segments such as contract drilling has afforded us the ability to invest in technology. As we continue in this positive up cycle, all segments will continue to generate the capital required to support all planned technology development.

SAFETY

Before closing, I believe it is important to highlight Precision's exceptional commitment to safety. Safety is key – it is fundamental – a priority. Our lower than industry Workers' Compensation Board assessments are clear evidence that the efforts of our safety professionals and management are paying off. Safety at Precision however is not about cost reduction. In

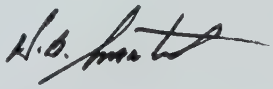
fact we continue to invest more and more each year into our safety staff, employee programs, and safety equipment. Safety is not about regulatory compliance. Our safety standards are consistent, company wide and often exceed governmental requirements. Regardless of whether we are operating in the regulated winter access locations of north eastern British Columbia or in the emerging unregulated offshore fields of Bangladesh, the safety standards and practices of both operations mirror the other. Safety at Precision is an everyday concern. Safety means that worker protection is one of the prime parameters in the design of our new technology. From pre-employment orientations and safety reporting to standard operating procedures and continuous training of our field staff, Precision is dedicated to ensuring that our workers have the necessary knowledge, skills and equipment to perform their jobs safely.

Safety does not stop at our yard gate nor at the edge of a drilling lease. Our safety culture means we must look beyond our boundaries. Precision continues to work cooperatively with customers, vendors and trade associations in enhancing safety throughout the industry. Many of these groups have similar strong safety commitments and share our goals of a safer industry.

In closing, I make no apologies for restating the old adage, our people are Precision's most vital asset. Their hard work and efforts have made 2000 the record year it was. I wish to take this moment to congratulate and thank them for their efforts and for striving to create a safer work place for all of us. But as we look towards the future, I challenge each and every one of them to continue to improve the safety of our workplace while carrying on our momentum of growth and profitability.

HANK B. SWARTOUT
Chairman, President and Chief Executive Officer

To our shareholders, I am proud of our legacy of value and growth over the last decade and a half. I thank you for your continued support of the Board and management. The future burns brightly for Precision as I look forward to another outstanding year.



Hank B. Swartout
March 26, 2001

Diverse...

– enough to deliver top notch service – everywhere!

	Nature of Business	Units of Production	Location	Employees
CONTRACT DRILLING SERVICES				
Columbia Oilfield Supply Ltd.	Procurement and distribution of oilfield supplies	Warehouse and distribution facility	Canada	40
Fleet Coil Technologies (U.S.) Corp.	Contract drilling	2 drilling rigs	US	45
Live Well Service	Hydraulic well assist snubbing	19 snubbing units, 32% of industry	Canada	65
LRG Catering Ltd.	Camp and catering	74 oilfield camps	Canada	212
Precision Drilling International	Contract drilling	12 drilling rigs	International	350
Precision Drilling Limited Partnership	Contract drilling	230 drilling rigs, 38% of industry	Canada	4,114
Precision Well Servicing	Contract service rigs	257 service rigs, 28% of the industry	Canada	1,765
Rostel Industries Ltd.	Manufacture, repair and sale of drilling equipment	Yard and shop facility, 38,000 square feet	Canada	87
OILFIELD SPECIALTY SERVICES				
Advantage Engineering Services, Inc.	MWD/LWD tool and equipment research and engineering	30,000 square feet research and test facility	US	39
Computalog Ltd.	Open and cased hole wireline services, directional drilling services	34 open hole units, 133 cased hole units, 23 slickline units, 2 barges with cased hole skids, 90 drilling systems	Canada, US, International	1,531
Fleet Cementers, Inc.	Oil and gas well pumping service, cementing, acidizing, fracturing, nitrogen, coiled tubing well servicing	16 cement units, 7 acid units, 2 frac units, 2 nitrogen units, 6 coiled tubing units	US	92
Northland Energy Corporation *Northland-Norward Energy Services* *Entest*	Well testing and control pressure drilling services	108 testing systems, 41 RBOP™, 34 UBD systems	Canada, US, International	555
Plains Perforating Ltd. *Challenger/Silverline*	Cased hole logging and perforating, H_2S logging and mechanical services	32 cased hole units, 10 slickline units, 7 combination units	Canada	189
Polar Completions Engineering Inc.	Design, manufacture and servicing of downhole completion and production equipment	Yard and manufacturing facility, 55,000 square feet	Canada	81
United Diamond Ltd.	Design, manufacture, sales and rental of PDC drill bits	Manufacturing and operations support of 200 jobs/month	Canada	16
RENTAL AND PRODUCTION SERVICES				
CEDA International Corporation	Industrial maintenance and turnaround services	135 vacuum trucks, 55 high pressure units, 9 bundle blasters	Canada, US	1,000
Energy Industries Inc.	Packaging, sales, lease, rental and servicing of natural gas compression	90,000 square feet of production capacity	Canada	250
Montero Oilfield Services Ltd.	Wellsite trailers, downhole drilling equipment, surface oilfield equipment	286 trailers, 9,500 joints of specialty drill stem, 4,000 tools, 3,600 surface units	Canada	144
December 31, 2000				10,575

PRECISION — A SUM OF ITS PARTS

INTRODUCTION

The oil and gas industry is a constantly changing scene. At Precision Drilling Corporation we stress cutting edge technology, broad expertise and absolute service as the vehicles taking us into the global oil patch. We are headquartered in Calgary, Alberta and from this vibrant Canadian city we serve the world.

The extensive experience in the dynamic proving ground of the Western Canadian Sedimentary Basin enables Precision to deliver top-to-bottom operational excellence to international corporations around the globe.

Our range of state-of-the-art services – from underbalanced drilling and high-tech rigs to real time data transmission from well site to our clients' offices – today are at work on five continents.

Precision operates in three business segments: Contract Drilling Services, Oilfield Specialty Services and Rental and Production Services. These segments embrace a diverse wealth of innovative product and service lines. Wireline, MWD/LWD, drilling services, well testing and underbalanced drilling, the latest in international drilling rig design are just a few. We also offer rental equipment, compression packages, industrial maintenance services and more.

From its headquarters in Calgary, Alberta at the foot of the Canadian Rockies and the home of the Calgary Stampede, Precision serves the world. We have taken the pioneering tradition of the Canadian west and our 15 years of oil and gas industry know-how and exported it around the world.

CONTRACT DRILLING SERVICES

Super Single™ Rigs

Beauty is in the eye of the beholder. And we think our latest drilling hardware is a beauty.

The sixth generation Super Single™ rig is our own design that replaces more traditional jack-knife and shallow telescopic doubles in shallow to medium depth drilling.

It is Precision's home-grown concept from engineering and design through manufacturing and operation. Its extreme flexibility allows custom fitting for clients in environments as diverse as the hot tropical climate of Venezuela or the frigid winters of Kazakhstan and Canada. Its small footprint makes it an environmental winner.

On our Super Single™ rigs, the top drive travels along a track system built into a one piece mast which can be set to varying degrees, from vertical to a 45 degree slant position.

Our Super Single™ rigs boast an automated pipe handling system that eliminates much of the manual and hazardous pipe work on the drill floor. The rig is safe, more compact and highly transportable, with a view to minimizing downtime between jobs. Its unique mast design allows it to move in one degree increments to drill from vertical to 45 degrees.

Such features help our customers drive down their development costs and turn marginal projects into economic successes through faster pipe tripping, speedier drilling, and ease of moving the rig – anywhere in the world.

Already the Super Single™ rig is a record holder – 5,235 feet of 8.5-inch horizontal hole in 22.5 hours!

Now that's a prime example of Precision's commitment to back its vision of being a major player in the international oilfield industry with Canadian technology.

The Super Single™ rig's pipe arm eliminates drillpipe handling by roughnecks with a view to improve safety. This patented arm is part of the overall automation of this rig that enables the rig to drill faster.

Coiled Tubing Rigs

It looks like a king-sized roll of flexible steel garden hose. Only it's thousands of feet long and it goes into the ground like a plumber's snake.

No tool joint connections mean hazardous pipehandling is eliminated both during drilling operations and on rig moves. This built-in safety reduces the potential for accidents. Drilling power comes from a downhole mud motor that produces continuous rotary action at the end of the coil. Penetration rates of over 400 metres per hour are routinely achieved.

Coiled tubing technology also means less drilling fluids spilled during operations – the coil is reeled in or played out in a single connection. This type of coil rig has a small footprint, requires minimal ground disturbance and is self levelling. This is a big environmental plus.

Our patented injector head technology, pioneered in the abandonment of shallow wells, is now used to drill these types of wells. Operators save money on bulk cement since the hole drilled with coiled tubing is closer to the desired gauge. Fewer cavities to fill up with cement! Drilling controls are in the doghouse so workers' exposure to the elements is reduced.

It's a revolutionary technology whose time has come and it is very much part of Precision's diverse world of oilfield technology.

Continuous coiled tubing, our newest drilling technology.

Anchorless Service Rigs

Guy wires are on their way out on Precision workover rigs.

Today's modern rig fleet is increasingly anchorless and customers are welcoming the added flexibility and reduction in environmental stress.

That familiar signpost rig mast – about 69 feet high on a single or 112 feet high on a double – needed six strong guy wires to be safely anchored.

But today, Precision's batwing rig assembly – in which the rig's two arms swing out to anchor the rig through its own weight distribution – eliminates a rigging expense. As well, it cuts down on ground disturbance – no 10 to 20 feet deep auger-type anchors for attaching the guy wires to the ground are necessary.

Some clients are so impressed they have paid the capital upgrade to alter specific rigs under contract.

The batwing design, as illustrated on rigs 607 and 609, eliminates the need for guy wires to anchor the rigs' masts prior to the start of operations.

OILFIELD SPECIALTY SERVICES

Flow Rate Tester (FRT)

Developed and proven in the Canadian oilfields, Precision's high-tech well testing system is ready for use this year in the US and overseas markets.

It combines the best from earlier generations of conventional testing with the time saving and flexibility of wireline operation. Simply put, it's a better method to open hole test oil or gas reservoirs. It saves the Precision client money while providing superior well information and protecting the environment.

The client receives real time data and with precise depth control provided by gamma ray correlation, all potential formations can be tested in just one trip.

The FRT tool records critical reservoir pressure and potential production data. Sensors identify fluids before multiple, uncontaminated reservoir fluid samples are taken. No gas or fluids are flowed to surface as in conventional testing, eliminating storage and environmentally unfriendly flaring. Safety is improved especially in poisonous hydrogen sulphide formations. Fast reservoir completion or abandonment decisions can now be made.

From open hole to cased hole applications, the FRT delivers effective reservoir knowledge from the people whose best runs have always been below the surface.

Within a protective housing, lies a downhole laboratory consisting of a complex network of electronic components, sensors, chambers and pumps able to analyze oil and gas formations at predetermined depths, which can be isolated for more zone specific readings by the FRT.

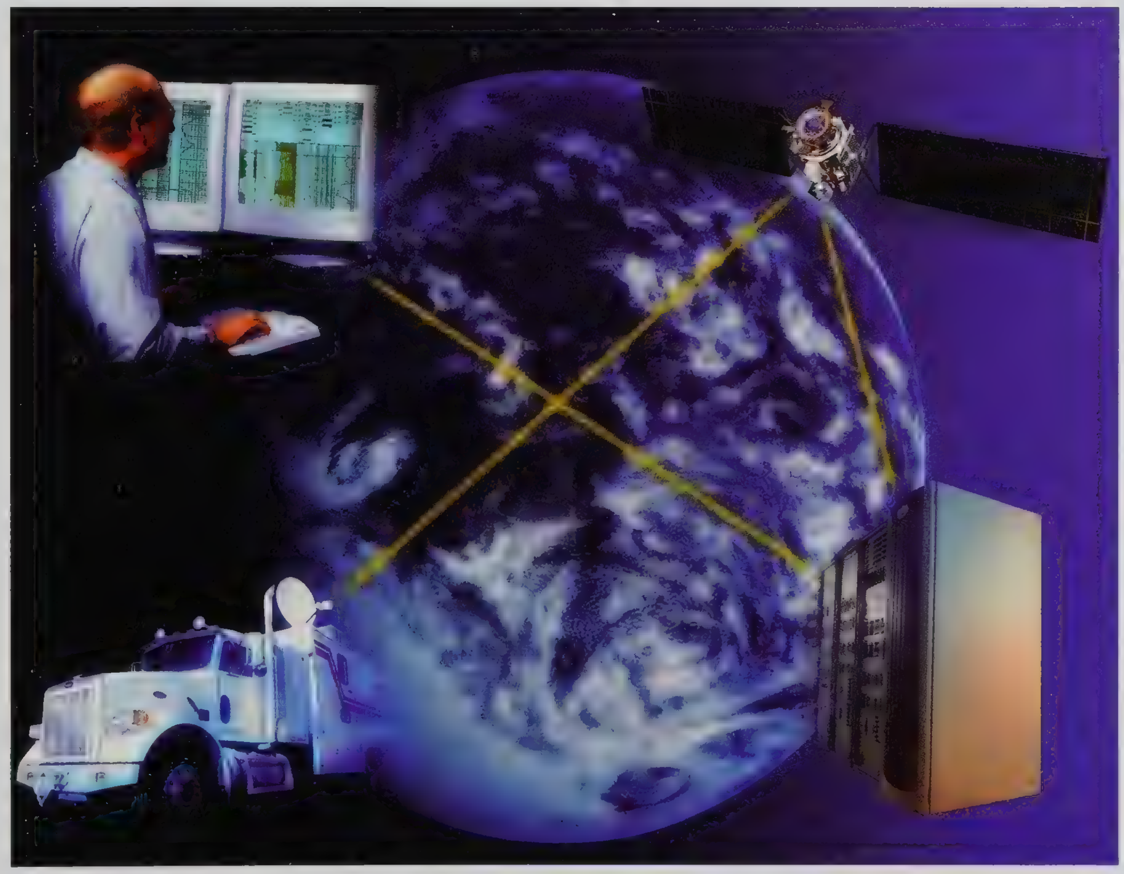
COMSTAR

The client focuses on his computer monitor in his home office whilst he analyzes a log from a well just drilled several thousand miles away.

At the wellsite, Precision's logging truck is still on location. Its data is transmitted to the Galaxy XR satellite that is geostationed above earth at the Equator. From here the data is sent back to earth to computer centres in Precision's Wide Area Network.

It is all in near to real time. A secure Internet system delivers the data to where the client wants to view it. Our SEELOG software allows the client to manipulate the data to his required format. This means logs are viewed and decisions made faster than having to wait for couriers to deliver the data package.

Satellites, secure Internet connections and sophisticated communications software linking wellbores to computers virtually anywhere in the world are all part of Precision's diversity in a demanding, technological age.



In near real time, data is transmitted via satellite to the client, for immediate well analysis.

Electromagnetic Measurement While Drilling (EM-MWD) Tool

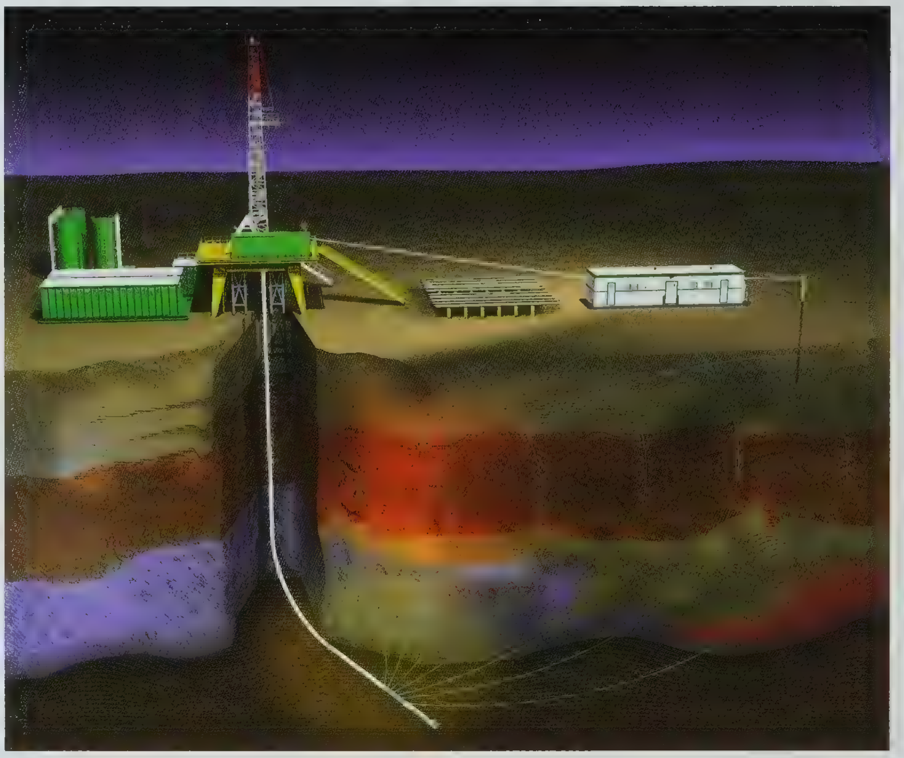
A series of mud pulses from sensors positioned just above the drill bit is the traditional method of communicating real time drilling information to engineers on the surface.

Today EM technology is winning industry-wide acceptance because of its superior performance.

Precision, via its acquisition of EM-MWD technology and equipment license, uses electromagnetic waves through the formation outside the wellbore to allow the driller to monitor and control well trajectory.

The key advantage of this EM tool, part of the bottom hole assembly, is that the solid state electronics do not rely on a fluid filled wellbore in order to transmit data. This is especially useful in underbalanced drilling where aerated fluids distort mud pulses resulting in lost data. As well it is more reliable, provides considerably more data and is cost effective with no moving parts and hydraulic issues to prolong survey times.

After application in over 1,500 wells, this proven technology is becoming the communication method of choice. Another stake on Precision's claim to being a leading innovator in the quest for faster, more cost effective drilling.



EM-MWD broadcasts radio waves of downhole information to enable technicians to monitor and control well trajectory.

Underbalanced Drilling (UBD)

Pioneering hasn't stopped in western Canada.

Precision lead the development of UBD in western Canada then took its innovative approach to the North Sea. Originally developed as a way to reduce formation damage during drilling operations, UBD provides a host of other positive benefits: an increase in recoverable reserves from the reservoir; basic real time reservoir evaluation; greater penetration rates while drilling; less downtime associated with lost circulation; and an overall reduction in drilling time.

The Corporation has completed its second offshore North Sea system – a state of the art, closed loop UBD surface separation package for a multinational client. This integrated package allows our client to produce gas for the first time from this reservoir from an offshore platform and halves the usual time for projects of this magnitude in the southern North Sea gas field development.

This technology, coupled with our newly engineered separation design that occupies only half the deck space of earlier packages, can be employed by a wider range of offshore rigs than previously possible. With a patented technique which allows separation of gas from wellbore returns at high pressure, gas can be sent straight to production or re-injection thus reducing environmentally unfriendly flaring.

This type of integrated technology enlarges Precision's overseas clout. It allows us a modest claim to be returning some of that pioneer spirit that built the Canadian West to its European roots.

With safety as the paramount objective, Precision was challenged to engineer and build a UBD system capable of operating offshore in the harsh conditions of the North Sea. The second generation [shown above] has a smaller footprint, yet is capable of handling even greater rates of flow.

Venezuelan Wireline

Canadian technology is in full bloom in the development of Venezuela's vast oil reserves.

From the country's El Tigre eastern field – a flat, dry terrain, rich in shallow heavy oils and deeper light crude deposits – to the Ojeda field in the west on Lake Maracaibo, Precision is a competitive supplier of high-tech services to PDVSA, Venezuela's national petroleum company.

A new US $1.4 million barge, measuring 40 feet by 110 feet, is part of our response to increased demand in this challenging offshore oil field. It is a complete high end logging unit with living quarters and anchor winch systems. This is Precision's second barge to operate on Lake Maracaibo.

The Corporation's growing profile in Venezuela, with continued investment, has led to increased contracts in the area.

Our Cutting Edge

Forty-one polycrystalline diamond compact (PDC) wafers embedded in the fist of an 8¾ inch steel body. That is the business end of a drilling rig. Built in Nisku, Alberta by Canada's sole PDC bit company, the new-age technology bits are designed for increased penetration and harder formations with greater stability – all to produce a constant torque, virtually no slipstick and much less wear and tear on drill collars and pipe.

A PDC bit in production.

The distinction is in the placement of the PDC cutters, highly pressured wafers of black diamond layered in tungsten carbide slugs. These cutters use a more efficient shearing action than the crushing mode of traditional roller bits.

After all, diamonds aren't just about glitter.

Precision's Advantage

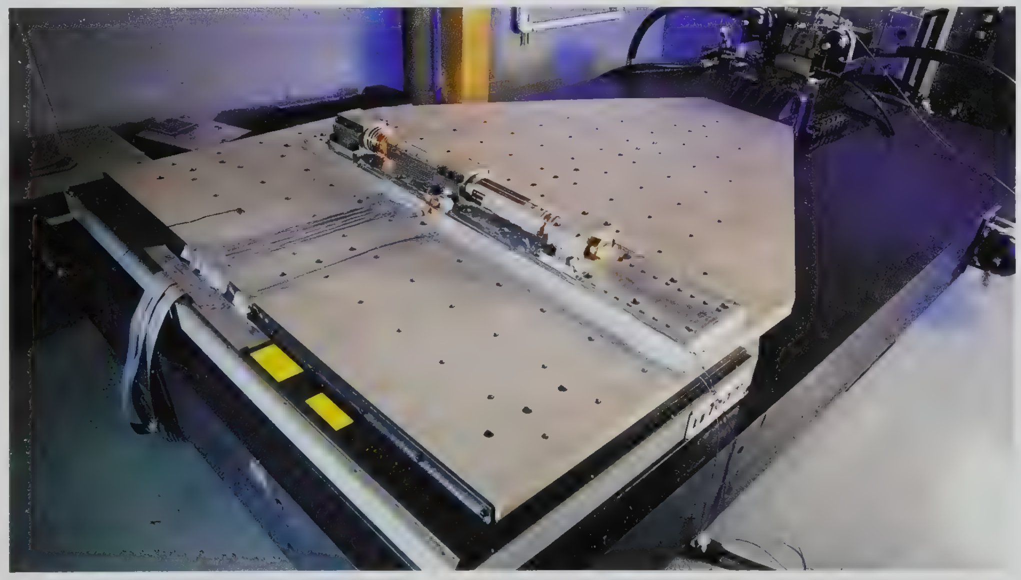
The mandate of Advantage Engineering Services' team of scientists, engineers and software programmers is to to develop the next generation of directional drilling MWD/LWD tools and gain a commanding share of the estimated US $2.3 billion market. The team operates out of a new 30,000 square foot state-of-the-art research and engineering facility complete with extensive testing and downhole simulation capabilities.

The Advantage team, assembled just over a year ago, will begin to field test its first set of new tools starting in the second quarter of 2001.

These tools are initially aimed at the deep-water segment of the market where current technology is at its limits. The objective – to provide a superior line of tools that log faster and more reliably in zones where extreme temperatures, flow rates and pressures are commonplace.

Our commitment to this technology is evident – Precision is planning to spend approximately $55 million researching, developing and proving this new generation of tools. The result: an innovative technology platform from which to grow new earnings in a market where lost time is measured in seconds and lost dollars in millions.

There has to be an Advantage in all that!



On Advantage's vibration table, tools or components of tools are tested to evaluate their durability.

Completion Tools

The tender mandated the design, manufacture and delivery of hydroseals – all within 30 days.

Precision's completion tool division met its deadline for the high quality order from a multinational producer in Australia and won repeat business.

Expertise, honed on successful projects such as designing and manufacturing a complete recovery system for a major Saskatchewan heavy oil plant, backstop the Corporation's move into the global scene.

Other contracts which led to the repeat business, include hydroseal orders for a Middle East client in Oman and completion strings for horizontal re-entries in Kazakhstan. Further international contracts with oil majors were landed in Indonesia, Egypt, Yemen and Hungary.

This willingness to move the bar, coupled with the ability to deliver Precision-style excellence, on time, is how we will vault to the next level of market penetration.

A specialized laser measurement instrument ensures exact tolerances in the manufacture of completion tools.

A wireline technician inspects circuitry on one of our newly assembled open hole wireline trucks.

RENTAL AND PRODUCTION SERVICES

Industrial Maintenance

Precision is cleaning up in the world of industrial plant maintenance.

The Corporation, through its CEDA arm, specializes in industrial maintenance from chemical cleaning operations and plant turnarounds to highly specialized, state-of-the-art hydraulic bolt tensioning and the speedy removal of large heat exchangers.

Last year we renewed long-term contracts with clients involving a broad range of industrial maintenance and cleaning services in the oil sands projects at Fort McMurray, Alberta.

We also promoted the Unidense method of loading industrial reformers as the preferred technology around the world. Our skilled technicians, through an alliance, completed loading projects throughout North America, Chile, Sicily, Trinidad, Germany, South Korea, Norway and France. Our crews performed turn key turnarounds around the globe.

The world is getting to be a cleaner place because of our efforts.

With the billions of dollars of investment in plant expansions, oil sands players have begun the construction that should triple production to 900,000 barrels per day, adding more infrastructure to be maintained by our established industrial maintenance arm.

Rentals

Polycrystalline diamonds are not always a driller's best friends.

Increasingly popular at the cutting edge of the drill, the diamond bits with their aggressive cutters create far more torque and torsional stresses on the drill string than traditional roller cone drill bits.

Precision's downhole rental tool division has a project underway: a torsional shock tool designed to reduce or eliminate random torsional stress cycles. These are what cause many drill string failures delaying drilling while the crew fishes for the detached drill pipe and tools. In some cases the hole must be abandoned and a new one drilled.

The 4½ foot long tool, in the initial stages of field introduction, sits above the drill bit. Its function is to dampen the stress cycle and thus prevent a costly twist off.

Yet another example of Precision's constant effort to design excellence into its field operations.

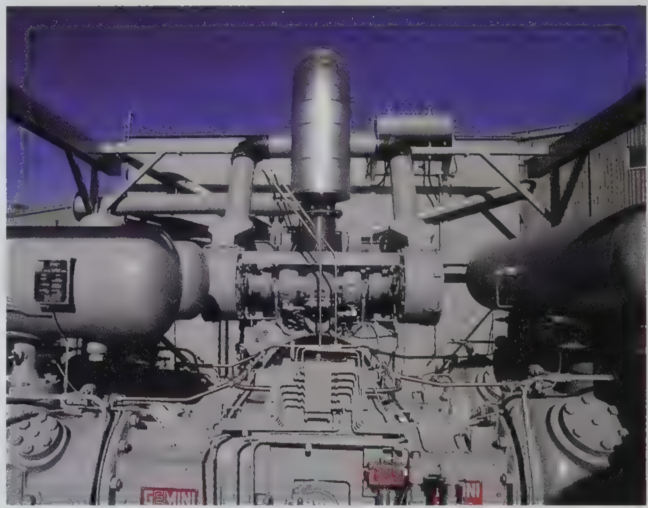
After each rental, the torsional shock tool is inspected and redressed.

Packaging

A portable compression unit looks like a big Meccano set on skids with its compressor, engine, process cooler, piping and pressure vessels.

Precision sets the industry standard for excellence in packaging these tailor-made units, using 27 years of field experience to produce deftly engineered and easily serviced compression packages.

The market for compression is expanding. Aging wells, declining reservoir pressures and production rates have almost doubled the demand for compression over the past decade. Drilling takes place further and further away from pipelines increasing the need for a greater network of gathering systems requiring more compressor units.



A skid mounted portable natural gas compressor.

The Corporation has an aggressive stocking program that ensures quick response to orders.

Skilled teams, with decades of fieldwork behind them, understand the customers' need regardless how remote the package.

SUMMARY

So as you can see, we have a broad base of services already being provided on a global basis. This, however, is just the beginning.

We think "Best in Class", and bolster that claim with more than 20 acquisitions over the past decade. Technologies such as Super Single™ rigs, UBD, and FRT are just three of our many calling cards.

The expertise, encompassed within our organization of over ten thousand employees, backed by the information technology we deploy, enables us to successfully integrate all Precision services, wherever our clients want us to be.

The mantra of "Operational Excellence" infuses all segments. We tailor our services to individual client needs while using our knowledge to reduce costs and improve margins.

As we broaden our footprint on the world, we take the best of our homegrown skills and attitudes wherever we operate. These include standards of safety, environmental awareness and community involvement in a world that increasingly expects and receives the best from us – whether that be offshore in Venezuela's Lake Maracaibo, in the always-challenging North Sea or back home in the Western Canadian Sedimentary Basin. From our Canadian backyard to the international oilfields:

We commit; We deliver; No excuses.

Involved…

– striving to make a difference in our work and where we live – thoughtfully!

Precision invested in this rig floor simulator as a key component of its training program for entry level floorhands.

SAFETY

Safety Is Everyone's Business

Safety pays. People, profits, and the Corporation all benefit when employees are part of a team committed to a safe working environment. Our safety record, backed by workplace experience and external audits, makes its own case.

Precision has more than 34 safety professionals on staff. Last year they logged more than 1,000 field visits.

Safety at Precision begins at the top. We not only preach safety – we practise it. Senior executives and managers continually go into the field to inspect working conditions and to ensure compliance with company policy.

After Precision acquires a company, it immediately reviews the target's safety procedures to ensure they match the high standards that apply throughout the Corporation, at home and abroad.

The Corporation supports its large investment in safety by tracking trends from a global database. Customer alliances with multinationals also link Precision's safety committees to companies with world-class safety performance. For example, this year, following a major audit of our safety programs and practices by a large multinational producer, Precision was invited to take part in a round table on best safety practices, to take place in Houston. Precision along with other key suppliers will expound their safety management practices in efforts to bring safety to a higher level.

Safety Checks

Safety is no longer secondary to the petroleum industry's focus of drilling holes in the ground.

At Precision, safety professionals make no apologies for their presence on a rig floor or checking out crews handling toxic industrial cleaning materials. Their on-site style is to bring safety training to the job, not just the employee to the classroom.

On the job, the safety crews audit every procedure. They investigate incidents. They are trained to recognize hazards; situations that are accidents waiting to happen.

They know government regulations in depth. Their focus reaches outside Precision through membership in industry associations. Information systems designed especially for safety management are part of Precision's Information Technology arsenal for producing a safe and healthy work environment.

On the Job

A moment of distraction is all it takes to send a derrick man plunging 100 feet from the monkey board to the ground to suffer permanent injuries or worse.

That's reason enough for Precision to invest $350,000 in equipping derrick men with hook-on fall arresters, in addition to their traditional pullback lines.

The arresters are on a slope line and already have paid off in four cases.

"I didn't want to use it but I did," says Precision derrickman Keith Northcott, 29 of Port Aux Basque, Newfoundland, who had unhooked his pullback line. *"I was green. I fell handling pipe. I slid and the fall arrester saved me from falling."* Keith said *"It works. Without it, I'd be crippled or worse. I came down, no injuries at all. Certainly I'm one of the lucky ones."*

He's still scrambling around the monkey board, thanks to that fall arrester and the safety program that put it there.

Roughneck U

So you want to be a worker in the oilfields.

The three-day course is free. There is no pay and there is no guarantee of a job on graduation.

But you do get an insider's look at what it's like to work on a rig along with an early introduction into the role safety plays in the petroleum industry.

Some quotes from a recent Precision orientation course evaluation:

"This is a very helpful course to get me started. I wouldn't want to go on a rig without a clue."

Another wrote: *"It's nice to see a company take the time and expense to give a new hand a good start."*

"Hands on experience was necessary to get me the confidence to work efficiently. I hope I can produce quality workmanship, equal to the quality Precision has displayed to me."

And another: *"The instructors did an excellent job. They never candy coat anything. They told me straight out what it would be like. I appreciate everything they said and showed me of their past experiences."*

Graduate Programs

They arrive in groups of eight or more at our Edmonton wireline technology boot-camp with degrees in engineering, geology or geophysics. Their first subject in this intensive six-month long training program is safety — or how to survive in the modern oil patch.

Safety covers basic first aid, professional driving, Precision's company-wide safety policy and the dangers of working with hydrogen sulphide.

Then the new hires change into coveralls. It's reality time for the next five weeks at one of the 15 wireline and cased hole field operations in western Canada.

Fall arresters save lives. A derrickman attaches his safety harness to the fall arrester prior to his ascent up the rig mast to the monkey board.

The first task is to unload the trucks, get to know the equipment and what fellow oilfield workers do to service client wells in an era of high-tech.

The Edmonton Wireline Shops reclaim them for two weeks – their world expands with the theory of logging tools, operating processes, software and hardware. Six weeks in the field follow under the careful eye of a veteran wireline engineer.

Trouble shooting becomes part of their working lives as they learn the complexities of keeping an oilfield customer happy.

Another two review weeks back at Edmonton and week-long log interpretation school in Calgary are next before their final field assignments. Practise what we have taught you, their instructors tell them – you have six to eight weeks before you get to do the job all on your own.

And one final program event – the gruelling eight-hour breakout exam day back at Calgary headquarters. The examiners ask trouble shooting questions, probe for practical solutions to scenarios they know are possible in the field. Expectations are high: the passing grade is 80 percent. A slip-up means a make-up exam with a 90 percent pass challenge.

To ensure our wireline employees continually stay abreast of the latest in tool design and computer technology, Precision administers in-house training programs directed at all engineers as part of their continuing qualifications.

If all goes well the graduate has one last task – pick up a truck and get back to his assigned field district where, after six months on the job, he becomes what he set out to be – a Junior Field Engineer. Learning doesn't stop there. In fact, it never stops. Intermediate and Senior Engineer ratings follow. And there is spring school for upgrading with new tools and cutting edge technologies along with staying abreast of Precision's constantly evolving computer systems.

No one ever said operational excellence would come easy.

Offshore Safety Basics

Most things are different on an offshore rig or production platform.

"We come and go via helicopter, work long shifts in a confined space where there isn't much room to move around, to store fuel and supplies." explains an offshore veteran. *"With underbalanced drilling, things are very different from conventional drilling. The pressure is at the surface. That means a potential fire hazard with hydrocarbons. Energized mixtures of gas, sand and liquids under pressure must be safely controlled. Being offshore just heightens this risk".*

Precision's UBD arm has major contracts in the North Sea. It has built three UBD packages for offshore platforms and along with our clients we have become aware of the need for intensive training courses for all of our technicians who work offshore.

The Corporation joined several North Sea contractors and a major North Sea operator last year to set up a three-day course at Lowestoft, UK.

Personnel learned how to deal with a lot of equipment in a confined space, with safety as a crucial theme. The service companies provided a basic course in safety from their particular perspectives. Directional drillers, snubbers, operators and well testers presented insights into how they work and what they do to prevent mishaps. Everybody's knowledge was broadened.

Precision's offshore operations in the UK carry an impressive credential – ISO 9002 accreditation. This is an industry standard, based on strict six month audits, that assures clients that the services we provide are supported by top quality procedures and safety tracking systems.

The North Sea sector is highly regulated for safety by the UK Health and Safety Executive (HSE). We also won HSE approval for safety procedures in our pioneering package using jointed pipe for the first time in a UBD operation offshore UK.

Safety is deeply ingrained throughout Precision's expanding world.

ENVIRONMENT

Leaving a Smaller Footprint

Working with Mother Nature is a priority at all levels of Precision. Our commitment is to high standards of environmental care in all our operations, each and every day. While most of our operations are carried out on leases which are under the control of our clients, we ensure that we are familiar with their environmental polices and practices and those of the regulatory authorities as we work co-operatively to minimize the impact to the environment.

Some of our clients are now practising zero percent disturbance drilling. Among other things, drilling cuttings are returned to the ground free of all contaminants. This requires that Precision modifies and services its equipment to meet these higher standards. For example, our rig mud systems are designed to eliminate the possibility of unwanted fluids and solids entering into them. Zero percent drilling disturbance specifications are so tight that even an introduction of hydrocarbon laced water into the mud system will require that the cuttings be hauled away and treated offsite in a proper facility instead of being land farmed in the immediate area.

Nature First

Anyone watching the caribou in their migrations across northern Canada marvels at the spectacular sight of thousands of animals moving to their feeding and calving grounds. Precision is aware of how important these great herds are to all Canadians and their special cultural value to northern people. The Corporation tailors its contracts working in harmony with customers, suspending operations or moving rigs so as to intrude as little as possible during these vital periods.

Prevention is Better

Spills are preventable. Precision's well testing operations combine training, procedures and purpose built equipment to ensure no such an occurrence. The nature of the task requires us to flow and meter oil and gas to surface often at high rates and high pressures to assist our clients in evaluating the potential of their reservoirs. Trained supervisors hold pre-job meetings. An exhaustive pre-flow checklist with more than 230 items is reviewed. Nothing is left to chance – valves, flowlines, cables, anchors, oil and water lines, relief and supply lines, propane supply, and pressure vessels are all checked. Well flow does not begin until the crew all sign off.

Many of our clients require our rigs to go sumpless. This replaces the traditional method of simply digging a pit or sump in which to dispose cuttings during a drilling or service operation. Today's rigs are modified so that wastes are collected in transportable tanks and then hauled to hazardous waste landfill sites or treatment centres.

Environmental protection is a team responsibility – from management through to field personnel. All are aware of laws and regulations that protect the environment. Potential hazards are identified before a job is undertaken. Emergency response plans are in place to minimize potential environmental incidents.

The industry itself has given environmental protection a new status throughout the oil patch.

Within Precision, the environment is not a static issue but a dynamic one – we encourage training courses on updated protection issues at both field and management levels.

We scrutinize all proposed acquisitions to ensure any necessary environmental clean up is complete before we take over a property or facility. The deal is not done until it gets an environmental clean bill of health.

Precision management regularly provides a report to the Board of Directors on environmental practices including any serious incidents. This policy applies to what occurs at home or abroad.

When a Spill Occurs

The surface stain spread over the ground near a Precision rig and other equipment in a racking area in the Wildcat Hills west of Cochrane, Alberta.

A Precision supervisor called in an environmental consultant to inspect the site. The crew found hydrocarbons had leaked from the rig and from a diesel tank on skids. There was another surface stain from a pile of stacked pipes.

Contractors were hired to excavate 11 tons of topsoil to a depth of 25 cm and transport the material to a landfill. The grassland site then was backfilled and contoured to grade with fresh topsoil.

The Corporation's spill procedures stress quick response, full disclosure to government and senior staff at levels depending on size of spill, and a speedy clean-up.

Each area has its own spill containment package with a list of emergency contacts if the spill is a large one.

Although the major responsibility for environmental spills remains with the well operator, Precision also incorporates environmental protection in its equipment design and operation practices whenever possible. Many rigs have switched over to electronic fuel injected motors which reduce fuel consumption 15-20% and run cleaner. New catch systems collect drilling mud, from breaking joints of drill pipe, and route it back to the mud tanks instead of it collecting in the cellar. The use of our anchorless workover rigs is spreading as the industry recognizes their smaller footprint along with that of our Super Single™ drilling rig.

Environmental planning thus makes for sound business practices.

As old fashioned as it sounds, a key element in any environmental safety program remains good housekeeping habits such as:

- simple checks to see that oil is not leaking out of equipment
- the placing of absorbent pads around engines
- the provision of segregated bins for waste plastics and wire rope at rig sites

Waste is managed so that it is reduced.

Recycling plays its part – from office paper to used oil. The all-purpose burning waste barrel is no more.

After all, we all live and work in the same world.

PRECISION IN THE COMMUNITY

The Corporation's donation committee focuses on 12 major categories: community, both rural and urban; international aid; women's groups; youth; aboriginal peoples; medical; the disabled; the homeless; education; the environment; the arts; and political organizations.

The Corporation sets a budget, based on a percentage of net income, for the committee to distribute. The committee then accepts requests from various organizations. Funds are donated on a regular basis to each of the categories subject to internal category limits.

Traditionally we have kept a flexible view towards donations whereby we would exceed our set budget for donations in years where we outperform.

This year we supported STARS air ambulance in recognition of its role in airlifting injured workers from remote sites. Its service covers much of the oil patch – a vital reassuring presence for workers in isolated areas. Medical evacuation to urban centres by air not only saves lives but it gets the injured worker quickly to skilled treatment. It also spares the injured worker from having to be driven over often rough, near impassable back-country roads.

Both Calgary and Edmonton United Way campaigns received grants for the many social agencies they fund. Our aim is to reach as many different and deserving groups as possible.

In education, Precision has begun a five-year commitment to the Southern Alberta Institute of Technology's (SAIT) new environmental technology centre. Our own world of technology education is strongly linked through many employees to SAIT.

Mount Royal College received its third payment in a four-year commitment to its capital program.

The Corporation also supports overseas projects as it increases its own global presence. The Aga Khan Foundation of Canada receives annual donations towards its efforts to improve living conditions in the developing world. We also contributed to the Venezuelan Relief fund of the Canadian Red Cross after devastating floods ravaged parts of that country.

Last year we backed the Partners in Health program at the Foothills Hospital in Calgary. This initiative seeks to create centres of excellence in health care research and medical education. Precision also continues to donate to the Alberta Cancer Foundation's Tom Baker Centre.

This year we have pledged a major contribution to the Alberta Children's Hospital which will make us a significant patron of the institution over the next few years.

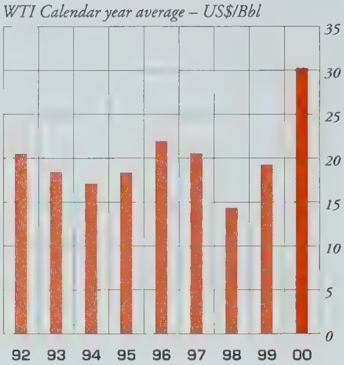
We are out there in the community and for the community.

Solid...

– the financial strength to sustain long term growth – consistently!

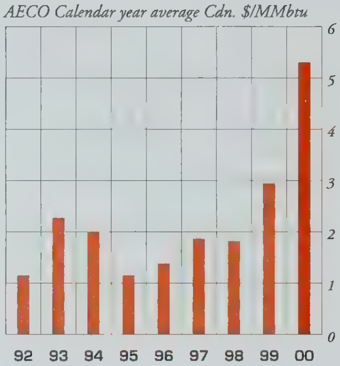
Crude Oil Prices

WTI Calendar year average – US$/Bbl



Natural Gas Prices

AECO Calendar year average Cdn. $/MMbtu

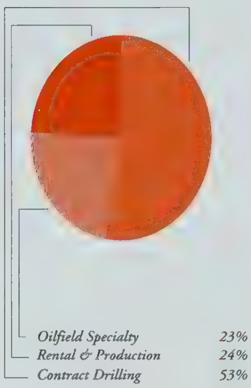


2000 Revenue

Total: $ 1,355.5 Million

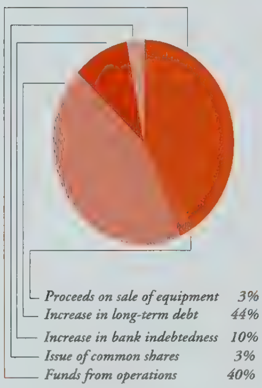
1999 Revenue

Total: $ 734.7 Million



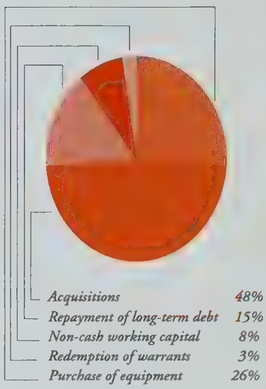
2000 Sources of Funds

Total: $ 734.4 Million



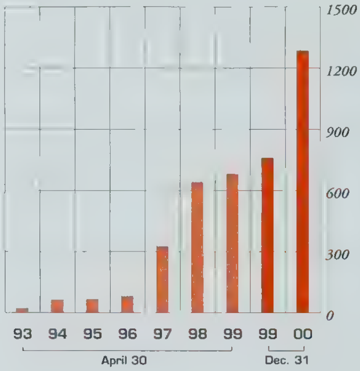
2000 Uses of Funds

Total: $ 766.1 Million



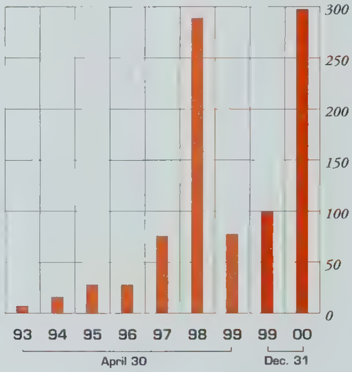
Net Fixed Assets

$ Millions



Cash Flow

$ Millions



The Management's Discussion and Analysis focuses on key statistics from the Consolidated Financial Statements, and pertains to known risks and uncertainties relating to the oilfield and industrial service sectors. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other elements may or may not occur which could affect the Corporation in the future. In order to obtain the best overall perspective, this discussion should be read in conjunction with the material contained in other parts of this annual report including the audited Consolidated Financial Statements and the related notes. The effects on the Consolidated Financial Statements arising from differences in generally accepted accounting principles between Canada and the United States are described in Note 13 to the Consolidated Financial Statements.

HIGHLIGHTS

(Stated in thousands of dollars, except per share amounts which are presented on a fully diluted basis)

Years ended December 31,	2000	% of Revenue	1999	% of Revenue
Revenue	**$1,355,453**		$ 734,740	
Increase (decrease)	**84%**		(10%)	
Operating earnings	**260,845**	**19%**	117,494	16%
Increase (decrease)	**122%**		(35%)	
Earnings before goodwill amortization	**154,321**	**11%**	50,081	7%
Increase (decrease)	**208%**		(46%)	
Earnings before goodwill amortization per share	**2.98**		1.09	
Increase (decrease)	**173%**		(48%)	
Net earnings	**131,560**	**10%**	34,250	5%
Increase (decrease)	**284%**		(56%)	
Net earnings per share	**2.55**		0.76	
Increase (decrease)	**236%**		(57%)	
Funds provided by operations	**297,873**	**22%**	100,036	14%
Increase (decrease)	**198%**		(40%)	
Funds provided by operations per share	**5.69**		2.13	
Increase (decrease)	**167%**		(43%)	

SUMMARY INCOME STATEMENT

(Stated in thousands of dollars)

Years ended December 31,	2000	1999
Operating earnings		
Contract drilling services	$ 212,633	$ 97,864
Oilfield specialty services	30,620	6,796
Rental and production services	43,289	19,705
Corporate and other expenses	(25,697)	(6,871)
	260,845	117,494
Interest	28,713	16,544
Gain on disposal of subsidiary and investments	(40)	(26,318)
Reduction of carrying amount of investments	–	13,101
Reduction of carrying amount of property, plant and equipment	–	10,200
Earnings before income taxes and goodwill amortization	232,172	103,967
Income taxes	77,851	53,886
Earnings before goodwill amortization	154,321	50,081
Goodwill amortization, net of tax	22,761	15,831
Net earnings	$ 131,560	$ 34,250

The record results posted by the Corporation in 2000 are indicative of the improved business fundamentals in the oil and natural gas exploration and production industry in Canada and internationally. The price of West Texas Intermediate crude oil averaged US $30.31 per barrel in 2000 compared to US $19.24 in 1999. Production discipline by OPEC members and increased demand from strong world economies contributed to the improvement in world crude oil prices. Similarly, North American natural gas prices rose dramatically in 2000 due to tightening supply and demand. Natural gas on the New York Mercantile Exchange averaged US $4.38 per mcf in 2000 compared to US $2.32 per mcf in 1999. Demand for electricity, a large and growing portion of which is produced by natural gas fueled generators, increased with the prolific rise in Internet and e-business utilization. Natural gas production, however, has remained stagnant due to the maturity of producing reservoirs and, until this year, declining investment in exploration and production activity as low commodity prices did not provide acceptable returns on investment. As the year progressed our clients became more comfortable with the sustainability of oil and gas prices and with their improving financial positions. This in turn lead to increases in exploration and development spending and higher activity levels across all our businesses.

In the increasingly favourable business environment, the Corporation continued to execute its strategy to strengthen its Canadian base of operations and lever off this solid foundation to become a worldwide integrated oilfield service provider. Acquisitions have remained a key element in carrying out this plan. During the second quarter, the industrial maintenance group strengthened its presence in the growing Fort McMurray oilsands operations with the acquisition of the assets of JJay Exchanger Industries Ltd., an established business in plant maintenance and shutdown work. The acquisition of Plains Energy Services Ltd. (Plains) in July enhanced the Corporation's capabilities in coiled tubing drilling, a technology especially suited to shallow gas drilling, and added experienced personnel and well maintained equipment to our well servicing, production testing, underbalanced drilling, and wireline operations. In October, Precision acquired CenAlta Energy Services Inc. (CenAlta), creating the largest and most diversified fleet of service rigs in the Western Canadian Sedimentary Basin (WCSB). Also in October, the Corporation acquired the global directional drilling and electromagnetic (EM) Measurement While Drilling (MWD) assets of Geoservices S.A. (Geoservices) of Paris, France and an exclusive worldwide license to its EM-MWD technology. This acquisition will allow for increased utilization of MWD technologies for directional and horizontal well applications on a global basis and enable Precision to more effectively integrate its underbalanced drilling capabilities.

The expansion has continued. In January 2001, the Corporation acquired BecField Drilling Services Ltd. (BecField). BecField, with established operations in Europe and the Middle East, provides directional drilling and MWD services through its technical, field and support personnel to both onshore and offshore oil and gas companies.

Growth through acquisition is complemented by internal development of new and existing services. The cornerstone of the Corporation's strategy to become a full service provider on the world oil and gas industry stage is our research staff and facilities at Advantage Engineering Services, Inc. (AES) in Houston, Texas. The mandate of this group, is to build the industry's most reliable Logging While Drilling (LWD) system with an emphasis on the global deepwater drilling market. Field testing of the tools is scheduled for the second quarter and the first commercial application will take place this summer. The evolution of our Super Single™ drilling rig technology is also continuing with the construction of additional rigs for both domestic and international customers.

The maintenance of Precision's strong balance sheet remained of paramount importance throughout this year of rapid growth. The Corporation ended the year with a debt to debt plus equity ratio of just over 0.3 and debt to trailing cash flow of 1.84. With the strong demand for our services expected in 2001, our financial position and flexibility should continue to improve.

A development, the importance of which must not be overlooked, was the announcement of planned corporate tax rate reductions by the federal government of Canada and the provincial government of Alberta. The federal government introduced tax rate reductions in its February 28 and October 18, 2000 budgets that will reduce corporate tax rates by 7% over the next 4 years. The Alberta provincial government has also planned to reduce corporate tax rates by 7.5% over the next four years. These changes combine to reduce the Corporation's tax rate on ordinary income earned in Alberta from 45% in 2000 to 30.5% in 2004. Our Canadian operations are the solid foundation upon which Precision is building its international presence and they will always be a critical contributor to the Corporation's profitability.

These significant tax rate reductions represent the biggest fundamental change in the Canadian economy in recent history and create an environment of increased profitability.

Precision's operations are managed in three industry segments. Contract Drilling Services provides land drilling services in Canada and internationally, and provides well workover services in Canada. The Oilfield Specialty Services segment provides both open and cased hole wireline, directional drilling, MWD/LWD services, production testing and underbalanced drilling services, in domestic and international markets. The Rental and Production Services segment includes the design, packaging, sales and service of natural gas compression equipment; the manufacture and rental of oilfield wellsite trailers; the rental of equipment to the oil and gas industry for drilling, completion and production activities; and the provision of industrial process services, including specialized equipment and labour services to downstream oil and gas, petro-chemical and other process industry customers.

CONTRACT DRILLING SERVICES

(Stated in thousands of dollars, except per day/hour amounts)

Years ended December 31,	2000	% of Revenue	1999	% of Revenue
Revenue	$ 743,544		$ 429,848	
Expenses:				
Operating	440,300	59%	272,589	63%
General and administrative	32,417	4%	19,359	5%
Depreciation	58,194	8%	40,036	9%
Operating earnings	$ 212,633	29%	$ 97,864	23%
Number of drilling rigs (end of year)	244		220	
Drilling operating days	43,376		30,172	
Revenue per operating day	$ 13,961		$ 12,266	
Number of service rigs (end of year)	257		76	
Service rig operating hours	222,539		106,846	
Revenue per operating hour	$ 380		$ 340	

Contract Drilling Services revenue increased by $313.7 million or 73% over 1999 as a result of the combined impact of increased utilization, pricing increases and expansion of the equipment fleet. Of the 43,376 drilling operating days in 2000, 5% or 2,373 were from rigs working internationally. This compares to 1,088 or 4% in 1999. Revenue per operating day in Canada increased by 14% in 2000 over 1999. This pricing momentum continues in 2001, when for the first time in the Corporation's history, drilling day rates for certain rigs are expected to increase as we come out of the winter drilling season.

The following table illustrates the change in the size, makeup and deployment of the drilling fleet in 2000. The acquisition of Plains added 8 coiled tubing rigs to the fleet. This provided the equipment base to which Precision applied its own design innovations to establish a world leading position in this technology. The acquisition of CenAlta added 10 drilling rigs to the fleet and an additional 6 rigs were built at our in-house machining and fabrication facilities.

		2000			1999		
Type of Drilling Rig	Depth	Canada	International	Total	Canada	International	Total
Single	to 1,200 m	18	1	19	15	–	15
Super Single™	to 2,500 m	14	3	17	13	2	15
Double	to 3,000 m	102	3	105	96	3	99
Light triple	to 3,600 m	49	4	53	49	2	51
Heavy triple	to 7,600 m	38	2	40	38	2	40
Coiled tubing		9	1	10	–	–	–
Total fleet		230	14	244	211	9	220

The size and breadth of the service rig fleet increased dramatically with the acquisition of CenAlta and Plains. Utilization and hourly rates also increased. Service rig operating hours increased 108% to 222,539 in 2000 from 106,846 in 1999 and revenue per operating hour increased 12% from $340 to $380. However, utilization of the service rig fleet was the one area across the Corporation that was hampered by shortages of skilled labour.

The characteristics of the fleet, which currently operates only in the Western Canadian Sedimentary Basin, is illustrated in the following table:

Type of Service Rig	2000	1999
Single	4	–
Freestanding mobile single	8	4
Mobile single	105	42
Double	59	24
Freestanding mobile double	4	–
Mobile double	50	–
Heavy double	9	2
Slant	16	4
Swab	2	–
Total fleet	257	76

With 257 workover rigs, Precision now services the entire breadth of the market and has approximately 28% of the Canadian workover rig industry. The ownership of the Canadian service rig industry has been significantly consolidated with three companies now owning 65% of the fleet. As the history of the drilling business has shown, consolidation of an oilfield service brings pricing discipline and improved margin stability. The much larger fleet allows us to reap the benefit of economies of scale and will be managed using the same integrated processes and operating philosophy that have proven successful in our drilling operation.

Operating earnings for the Contract Drilling Services segment increased to 29% of revenue from 23%. Expense increases, primarily in employee compensation and fuel costs were more than offset by rate increases. In addition, further efficiencies were gained from our in-house operating supply procurement and distribution capabilities and our in-house rig repair and construction service. There is still room for improvement in operating cost structures as recent acquisitions become fully ensconced in our vertically integrated service delivery system. Depreciation remained relatively consistent on a per unit of production basis (per operating day or operating hour), further contributing to the operating earnings percentage increase.

An important component of the success of the Contract Drilling Services segment is the degree to which cost structures have been developed to be as variable as possible with activity levels. This allows the Corporation to respond quickly to sudden changes in our extremely cyclical industry and produces superior returns in periods of high activity.

OILFIELD SPECIALTY SERVICES

(Stated in thousands of dollars)

Years ended December 31,	2000	% of Revenue	1999	% of Revenue
Revenue	$ 372,425		$ 125,954	
Expenses:				
Operating	254,628	68%	85,695	68%
General and administrative	38,920	11%	17,529	14%
Depreciation	27,969	8%	12,305	10%
Research and engineering	20,288	5%	3,629	3%
Operating earnings	$ 30,620	8%	$ 6,796	5%
Wireline jobs performed	29,431		9,179	
MWD/directional drilling man days	34,404		10,171	
Well testing/CPD man days	41,777		24,493	

Oilfield Specialty Services revenue increased by $246.5 million or 196% in 2000 over 1999. This increase is the result of two factors. First, business acquisitions account for approximately $130.0 million of the change. The purchase of Plains in July expanded the depth of many services provided in this segment, as did the acquisition of well testing assets from a competitor in May. In addition, Computalog Ltd. (Computalog), which was acquired in July 1999, contributed revenue for the full year in 2000.

Second, activity levels increased significantly across all services offered by the segment. On a full year over year basis, adjusting out the effect of acquisitions, the number of wireline

jobs performed, MWD man days, well testing/controlled pressure drilling man days and directional drilling man days increased by 40%, 68%, 38%, and 73% respectively. Pricing for all of these services improved during the year.

Operating earnings amounted to $30.6 million or 8% of revenue in 2000. This segment will be the engine of Precision's future growth and its results are characteristic of a global business in early stages of development. Costs are being incurred, and charged against income, which are preparing the platform for revenue and profitability expansion. The acquisitions noted above along with the purchase of assets from Geoservices in October, added critical mass, technology and international distribution channels. This strategy continued to unfold in 2001 with the acquisition of BecField. Consistent with Precision's experience throughout its acquisitive history, the integration period carries cost redundancies and the resulting inefficiencies that take time to eliminate.

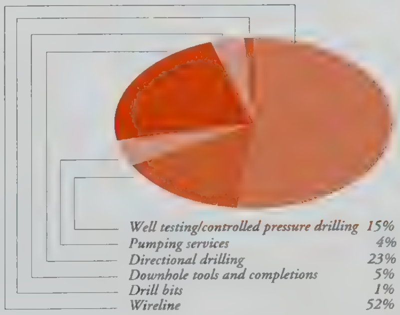
The pursuit of Oilfield Specialty Services international growth objectives also contributed to higher expenses in 2000 with no commensurate revenue contribution. Expansion of the cased hole and open hole wireline operation in the US required expenditures in the latter half of the year to set up new operations centres. These operations will begin contributing noticeable revenue growth in the first quarter of 2001. More significant, however, were the expenditures made across all the segment's service lines to improve the maintenance levels and reliability of the equipment fleet and enhance the training programs provided to the workforce. These upgrades were necessary to prepare the operations to move into the diverse international market place and to increase the number of qualified crews available.

Much of the impetus for the segment's international growth initiatives is to reduce the Corporation's exposure to the cyclical North American market. The Canadian market is subject to large seasonal swings in activity levels. The North American market responds quickly to commodity price fluctuations. Exploration and production projects in many other areas of the world are less susceptible to these factors. This strategy will increase the utilization of the segment's relatively mobile equipment fleets. Employee costs in this segment are more fixed in nature making higher utilization key to improved profitability.

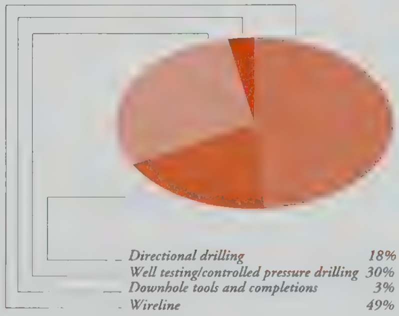
Expansion of product lines is an important element of this plan. To move into new markets and compete in a meaningful way, the Corporation will have to be a full service provider. The following charts illustrate the expansion of product lines within the Oilfield Specialty Services segment and the geographic diversification of its revenue.

Revenue by Service Line

2000: *Total: $ 372.4 Million*

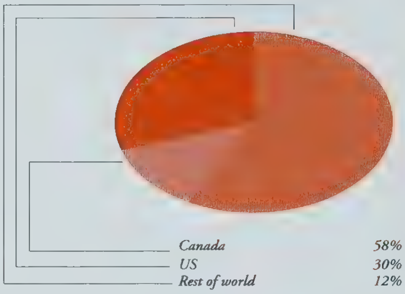


1999: *Total: $ 126.0 Million*

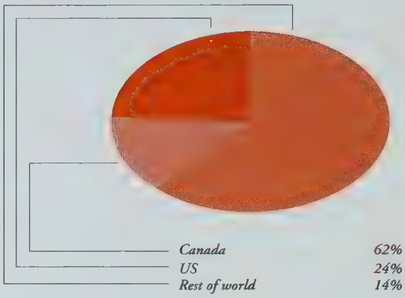


Revenue by Geographic Distribution

2000: *Total: $ 372.4 Million*



1999: *Total: $ 126.0 Million*



As a new player in international markets, Precision will use its unique mix of skills and equipment to secure its initial service contracts. Leading edge technologies being developed by AES will play an increasing role in accomplishing this objective. While the cost of this world class research and engineering team and facility is being borne by current operations, the benefits will not be translated into meaningful revenue and margin increases until 2002. The advancements in MWD and LWD technology being developed at AES are projected to produce tools with the highest flow rating, highest pressure rating, fastest logging speed, and shortest tool length in the industry. These tools are currently being field tested and initial commercial applications are planned for the second half of 2001.

The operational and administrative infrastructures necessary to deliver the segment's services internationally are now being put in place. A Regional Director of Operations has been appointed in each of five strategic areas: US, Europe/Africa, Middle East, Asia Pacific and Latin America. These people are experienced oilfield professionals with business knowledge specific to these regions.

RENTAL AND PRODUCTION SERVICES

(Stated in thousands of dollars)

Years ended December 31,	2000	% of Revenue	1999	% of Revenue
Revenue	$ 239,220		$ 178,938	
Expenses:				
Operating	170,729	71%	133,809	75%
General and administrative	11,207	5%	10,849	6%
Depreciation	13,995	6%	14,575	8%
Operating earnings	$ 43,289	18%	$ 19,705	11%
Equipment rental days	671,000		478,000	
Number of compressor packages sold	68		59	

Revenue in the Rental and Production Services segment increased by $60.3 million or 34% with all product lines increasing by relatively the same percentage. The industrial maintenance and plant turnaround operation received a strong return from its expansion in Fort McMurray and has seen revenue climb as clients increase the scope and duration of their plant maintenance shutdowns. The oilfield equipment rental and natural gas compression packaging businesses saw activity levels rise in step with increased oilfield activity in western Canada.

With the exception of natural gas compression packaging, operating margins increased across the segment in conjunction with the increased demand for their products and services. The gas compression business is experiencing strong competitive pressures as a result of over capacity in the Canadian market.

CORPORATE AND OTHER EXPENSES

Corporate and other expenses of $25.7 million have increased due to the increase in personnel required to manage the expanded business including the establishment of a corporate office in Houston, Texas. A significant portion of corporate employee compensation is comprised of incentive pay that is tied to corporate performance. The improved financial performance of the Corporation relative to 1999 resulted in increased employee compensation expense. In addition, the Corporation's active acquisition program contributed to the increase in costs in 2000. There tends to be an increase in costs for a period after each acquisition until corporate functions can be rationalized.

A significant component of corporate expenditures is dedicated to the maintenance of our management information systems. This department has expanded to meet the ever increasing needs of our fast growing domestic and international operations. Again, acquisition activity has an impact on the level of information systems spending as operations with different hardware and software configurations are integrated into Precision's systems.

In total, general and administrative expense declined slightly as a percentage of revenue to 7.6% in 2000 from 8.0% in 1999.

Interest Expense

Net interest expense increased by $12.2 million or 74% in 2000 over 1999, in conjunction with the increase in net borrowings from $236.4 million to $675.4 million. The cash component of business acquisition costs in 2000 amounted to $365.0 million while debt assumed in these transactions totalled $93.3 million. As a percentage of revenue, net interest expense remained consistent at 2.1% in 2000 compared to 2.3% in 1999. Management is comfortable with this level of debt servicing cost.

Income Taxes

Tax expense in 2000 is equal to 34% of earnings before income taxes and goodwill amortization, compared to 52% in 1999. Half of this difference is due to the impact of the Canadian federal government's plan to reduce corporate tax rates by 7% over the next four years. Canadian generally accepted accounting principles (GAAP) require that the effect of this rate reduction on the Corporation's future tax balances be reflected as a decrease of future tax expense in 2000, since the rate reductions have been substantively enacted into law. The resultant reduction of tax expense in the fourth quarter of 2000 amounted to $19.9 million. This treatment differs from US GAAP in that this adjustment would not be recognized until reduced rates have been formally passed into law, which will occur in 2001. In addition, a similar adjustment will occur in 2001, under Canadian and US GAAP, should the Alberta provincial government proceed with its plan to reduce corporate tax rates by 7.5% over the next four years.

The other primary reason for the reduced effective tax rate in 2000 relates to the Corporation's change in method of accounting for income taxes. Effective January 1, 2000, the Corporation retroactively adopted the liability method of accounting for income taxes without restating prior periods in accordance with revised Canadian accounting standards. The new standards move Canadian practice in line with US income tax accounting methods. The most significant impact of this change is that the Corporation's provision for income taxes is no longer increased by the effect of non-deductible depreciation.

Goodwill Amortization

Goodwill amortization increased by $6.9 million as a result of adding $268.9 million to goodwill during 2000, primarily from the Plains and CenAlta acquisitions. In addition, a full year of amortization was taken on the $55.5 million of goodwill associated with the Computalog acquisition in July 1999.

Recently, accounting standards bodies in both Canada and the US have proposed changes that would eliminate the amortization of goodwill as an ongoing expense item and would also eliminate pooling of interests as an acceptable method of accounting for business combination transactions. These changes will facilitate a closer comparison of our results with those of our US peers, most of whom have used pooling of interests accounting in the past.

LIQUIDITY AND CAPITAL RESOURCES

In 2000 the Corporation adhered closely to its policy of correlating capital expenditure levels to cash flow as a key element of its business risk management strategy. Funds from operations amounted to $297.9 million for the year ended December 31, 2000 while capital expenditures totaled $201.0 million.

At December 31, 2000 the Corporation had working capital of $157.7 million. This amount is net of $100.0 million borrowed under the Corporation's extendable revolving unsecured facility to finance the increase in accounts receivable resulting from the increase in activity.

Maintaining a strong balance sheet has remained a focus of management throughout this past year of rapid growth. At year-end the Corporation had long-term debt of $548.1 million and its debt to debt plus equity ratio was conservative at 0.31. The longer-term component of the Corporation's capital structure was increased with the addition of $150 million Series 2 unsecured debentures maturing in 2010. The $200 million Series 1 unsecured debentures mature in 2007.

Strong adherence to conservative financial philosophies has put the Corporation in good stead with current lenders and the public debt markets. This is very important for an organization that has and will continue to grow through acquisition and therefore requires ready access to funding sources. The Corporation believes that its strong balance sheet and unutilized borrowing capacity, combined with funds generated from operations, will provide sufficient capital to fund its on-going operations and future expansion.

BUSINESS RISKS

Crude Oil and Natural Gas Prices

The price received by our customers for the crude oil and natural gas they produce has a direct impact on cash flow available to them to finance the acquisition of services provided by the Corporation.

Prices for crude oil are established in a worldwide market in which supply and demand are subject to a vast array of economic and political influences. This results in very volatile pricing; a prime example of which is West Texas Intermediate crude oil trading at US $12 per barrel in late

1998 and in excess of US $40 per barrel at one point in 2000. Natural gas prices are established in a more "local" North American market due to the requirement to transport this gaseous product in pressurized pipelines. Demand for natural gas is seasonal and is correlated to heating and electricity generation requirements.

The Corporation manages the risk of volatile commodity prices, and thus volatile demand for its services, by striving to maintain efficient cost structures that are scalable to activity levels. In addition, our strong balance sheet and adherence to conservative financing practices provide the resilience to withstand and benefit from downturns and upturns in the business cycle.

Workforce Availability

The Corporation's ability to provide reliable services is dependent upon the availability of well trained, experienced crews to operate our field equipment. The strong Canadian and US economies combined with the seasonality of employment offered by many of our business units in Canada has increased the challenge of attracting qualified personnel. We must also balance the requirement to maintain a skilled workforce with the need to establish cost structures that vary with activity levels.

Our most experienced people are retained during periods of low utilization by having them fill lower level positions on our field crews. The Corporation has established training programs for employees new to the oilfield service sector and we work closely with industry associations to ensure competitive compensation levels and to attract new workers to the industry as required.

Weather

The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Corporation's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas.

Working with our customers, we strive to position equipment where possible such that it can be working on location during spring breakup, limiting the need to move equipment during this period as much as possible. However, many uncontrollable factors affect our ability to plan in this fashion and the spring season, which can occur any time from late March through May, is traditionally our slowest time. This seasonal cyclicality is evidenced by the number of drilling operating days in Canada in the first quarter of 2000 versus the second quarter. In the period of January to March 2000, our Canadian drilling operating days totaled 13,937 while in the period of April to June, 2000 operating days amounted to 6,013.

Technology

Technological innovation by oilfield service companies has improved the profitability of the entire exploration and production sector over the industry's 140-year history. Recently, development of directional and horizontal drilling, underbalanced drilling, coiled tubing drilling, and methods of providing real time data during drilling and production operations have increased production volumes and the recoverable amount of discovered reserves. Innovations such as 3-D and 4-D seismic have maintained the success rate of exploration wells as the quantity of drillable prospects declines.

Our ability to deliver more efficient services is critical to our continued success. The Corporation has continuously built upon its experience and teamed with customers to provide solutions to their unique problems. Our ability to design and build specialized equipment has kept us on the leading edge of technology. The success of our in-house designed and built Super Single™ drilling rig, both in Canada and abroad, is testimony of our dedication to these efforts.

The continued development of our Oilfield Specialty Services segment, and in particular the research and development work of AES, puts the Corporation at another level where high-end technological innovation is paramount to success. The team of highly qualified experienced professionals, that has been assembled and working together for almost a year in a state of the art testing facility, is equal to any in the industry.

Natural Gas Supply

North American natural gas demand is strong and growing. The industry has focused on the Western Canadian Sedimentary Basin as the source of supply to satisfy a significant portion of this increased demand. The Corporation's substantial operations in western Canada are poised to benefit from the increased natural gas activity created by this supply and demand imbalance. Recent natural gas discoveries in offshore fields in eastern Canada could, in the long-term, provide competition to western Canadian supplies.

Acquisition Integration

The Corporation has worked towards its strategic objective of becoming an integrated service provider of sufficient size to benefit from economies of scale and to provide the foundation from which to pursue international opportunities. Business acquisitions have been an important tool in this pursuit and will continue to be so in the future. Continued successful integration of new businesses, people and systems is key to our future success.

Foreign Operations

The Corporation is working hard to export its expertise and technologies to oil and gas producing regions around the world. With this comes the risk of dealing with business and political systems that are much different than we are accustomed to in North America. The Corporation has hired employees who have experience working in the international arena and it is committed to recruiting resident nationals on the staffs of all its international operations.

Foreign Currency Exchange Rates

The Corporation has two sources of foreign currency exchange risk. On international contracts, attempts are made to structure revenue streams such that a portion sufficient to match local expenditures is denominated in the local currency, with the remainder being denominated in US dollars. In addition, many of our business units buy a portion of their parts and supplies from suppliers in the United States. As a result, the Corporation is a net payer of US dollars but at present this exposure is not significant.

Merger and Acquisition Activity

Recent merger and acquisition activity in the oil and gas exploration and production sector has impacted demand for our services as customers focus on reorganization activities prior to committing funds to significant drilling and maintenance projects. Continued merger and acquisition activity could have a short-term impact on our business, but in the long-term should result in stronger, more active customers.

OUTLOOK

Management holds an optimistic outlook for the future based upon the strong fundamentals of the oil and natural gas exploration and production industry and upon its internal initiatives to capitalize on them.

- The North American natural gas story is key to management's optimistic outlook. Analysts estimate that over 60% of Canadian drilling activity in 2001 will be targeting natural gas. The shortage of electricity in California is well documented and has resulted in a large number of electrical generating facilities being proposed. Analysts predict that natural gas will be the fuel of choice for 95% of these plants. Canada will remain an important source of supply for this expanding market and transportation capacity is no longer an issue. Meeting the demand will require increased drilling in existing reservoirs and exploration of new areas including the Mackenzie Delta and other northern regions. Precision is well positioned to take advantage of this increased activity.
- Crude oil prices have remained high due to the tight supply and demand balance. This situation will likely continue for some time, as the impact of years of declining investment in the oil industry due to uneconomic pricing levels can not be reversed in a short time frame. Higher commodity prices will provide the necessary financing but time is also required to attract and train technically skilled personnel, develop drilling prospects, and bring new reserves into production. The continued production discipline of OPEC is a factor in the supply and demand equation, but to a diminishing extent. OPEC's surplus production capacity has declined substantially and many member states are now looking to attract western technology and capital to reverse this trend.
- Canada's heavy oil reserves are plentiful and improving technology is rapidly increasing the productive capacity of this known resource. Precision has long been a leader in developing drilling techniques to exploit this resource and will benefit from increased activity in this area. In addition, the Corporation has successfully exported this home grown expertise, particularly in Venezuela and Kazakhstan.
- The Corporation is confident that its significant research and engineering efforts, centered around AES's staff and facilities, will produce the next generation of LWD systems and sensors. Field tests of this equipment are underway and the first commercial applications are scheduled for the second half of 2001.
- The Corporation's success and critical mass in Canada now form the strong foundation upon which to grow internationally. Precision's presence in the US is growing and experienced people have been put in place and infrastructure is currently being developed in Europe/Africa, Asia Pacific, the Middle East and Latin America to facilitate the export of our skills and technologies, both old and new.
- In March 2001, Precision, as part of a joint venture was awarded a US $270 million, 240 well project in the Burgos Basin in northern Mexico. As project manager and lead contractor, the Corporation will supply drilling rigs, wireline, directional drilling, and well testing services, drill bits and downhole completion tools. This high profile project gives the Corporation a foothold in a new expanding market eager for all the services and products we can deliver.

Based upon these longer-term fundamentals and the demand for the Corporation's services currently being experienced, management expects 2001 to be another record year.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared Management's Discussion and Analysis (MD&A). The MD&A is based upon the Corporation's financial results prepared in accordance with Canadian GAAP. The MD&A compares the audited financial results for the twelve months ended December 31, 2000 to the audited results for the twelve months ended December 31, 1999. Note 13 to the consolidated financial statements describes the impact on the consolidated financial statements of significant differences between Canadian and United States GAAP.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

KPMG LLP, an independent firm of Chartered Accountants, was engaged, as approved by a vote of shareholders at the Corporation's most recent annual general meeting, to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of three directors who are not employees of the Corporation, has discussed the consolidated financial statements, including the notes thereto, with management and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

HANK B. SWARTOUT
Chairman of the Board,
President and Chief Executive Officer

DALE E. TREMBLAY
Senior Vice President Finance
and Chief Financial Officer

February 14, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Precision Drilling Corporation as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Accounting principles generally accepted in Canada vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for years ended December 31, 2000 and 1999 and shareholders' equity as of December 31, 2000 and 1999, to the extent summarized in Note 13 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Calgary, Canada

February 14, 2001

CONSOLIDATED BALANCE SHEETS

(Stated in thousands of dollars)

As at December 31,		2000	1999
ASSETS			
Current assets:			
Cash		$ 20,702	$ 5,550
Investment in short-term commercial paper		–	46,775
Accounts receivable		424,817	239,088
Income taxes recoverable		2,050	3,531
Inventory	*(Note 2)*	85,688	59,566
		533,257	354,510
Property, plant and equipment, at cost less accumulated depreciation	*(Note 3)*	1,287,932	761,589
Goodwill, net of accumulated amortization of $60,838 (1999 - $38,077)		550,502	304,400
Other assets	*(Note 4)*	16,445	13,367
		$ 2,388,136	$ 1,433,866
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank indebtedness		$ 112,620	$ 3,353
Accounts payable and accrued liabilities		227,548	129,766
Current portion of long-term debt	*(Note 5)*	35,353	58,524
		375,521	191,643
Long-term debt	*(Note 5)*	548,096	226,815
Future income taxes	*(Note 9)*	257,624	–
Deferred income taxes	*(Note 9)*	–	106,613
Shareholders' equity:			
Share capital	*(Note 6)*	864,495	627,923
Retained earnings		342,400	280,872
		1,206,895	908,795
Contingencies and commitments	*(Notes 8 and 17)*		
		$ 2,388,136	$ 1,433,866

See accompanying notes to consolidated financial statements.

Approved by the Board:

H.B. Swartout

HANK B. SWARTOUT
Director

Garth Wiggins

H. GARTH WIGGINS
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(Stated in thousands of dollars, except per share amounts)

Years ended December 31,		2000	1999
Revenue		$ 1,355,453	$ 734,740
Expenses:			
Operating		870,172	487,960
General and administrative		102,848	58,429
Depreciation		101,300	67,228
Research and engineering		20,288	3,629
		1,094,608	617,246
Operating earnings		260,845	117,494
Interest:			
Long-term debt		31,166	19,634
Other		473	481
Income		(2,926)	(3,571)
Gain on disposal of subsidiary and investments		(40)	(26,318)
Reduction of carrying amount of investments		–	13,101
Reduction of carrying amount of property, plant and equipment		–	10,200
Earnings before income taxes and goodwill amortization		232,172	103,967
Income taxes:	*(Note 9)*		
Current		36,252	69,299
Future		41,599	–
Deferred (reduction)		–	(15,413)
		77,851	53,886
Earnings before goodwill amortization		154,321	50,081
Goodwill amortization, net of tax		22,761	15,831
Net earnings		131,560	34,250
Retained earnings, beginning of year		280,872	246,622
Adjustment on adoption of liability method of accounting for income taxes		(70,032)	–
Retained earnings, end of year		$ 342,400	$ 280,872
Earnings per share before goodwill amortization:	*(Note 10)*		
Basic		$ 3.17	$ 1.13
Fully diluted		$ 2.98	$ 1.09
Earnings per share:	*(Note 10)*		
Basic		$ 2.70	$ 0.77
Fully diluted		$ 2.55	$ 0.76

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

(Stated in thousands of dollars, except per share amounts)

Years ended December 31,		2000	1999
Cash provided by (used in):			
Operations:			
Net earnings		$ 131,560	$ 34,250
Items not affecting cash:			
Depreciation		101,300	67,228
Goodwill amortization		22,761	15,831
Future income taxes		41,599	–
Deferred income taxes		–	(15,413)
Amortization of deferred financing costs		1,435	1,157
Gain on disposal of subsidiary and investments		(40)	(26,318)
Reduction of carrying amount of investments		–	13,101
Reduction of carrying amount of property, plant and equipment		–	10,200
Amortization and realization of deferred foreign exchange gain		(742)	–
Funds provided by operations		297,873	100,036
Changes in non-cash working capital balances	*(Note 16)*	(60,988)	(62,219)
		236,885	37,817
Investments:			
Acquisitions	*(Note 12)*	(364,959)	2,250
Purchase of property, plant and equipment		(201,004)	(56,117)
Proceeds on sale of property, plant and equipment		20,520	14,969
Investments		95	(3,125)
Proceeds on disposal of investment and subsidiary		64	122,929
		(545,284)	80,906
Financing:			
Increase in long-term debt		321,543	109,688
Repayment of long-term debt		(118,219)	(187,860)
Deferred financing costs		(1,973)	–
Issuance of common shares		21,009	11,558
Redemption of warrants		(18,924)	–
Change in bank indebtedness		73,340	(260)
		276,776	(66,874)
Increase (decrease) in cash		(31,623)	51,849
Cash, beginning of year		52,325	476
Cash, end of year		$ 20,702	$ 52,325
Funds provided by operations per share:	*(Note 10)*		
Basic		$ 6.11	$ 2.25
Fully diluted		$ 5.69	$ 2.13

Cash is defined as cash and investment in short-term commercial paper.
See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts stated in thousands of dollars, except per share amounts)

Precision Drilling Corporation (the Corporation) is a vertically integrated oilfield service company, providing oilfield and industrial services to customers worldwide.

The financial statements are prepared in accordance with generally accepted accounting principles in Canada. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation, its subsidiaries, all of which are wholly-owned, and its proportionate share of joint ventures.

(b) Inventory:

Inventory is valued at the lower of average cost and replacement value.

(c) Property, plant and equipment:

Drilling rig equipment is depreciated by the unit-of-production method based on 3,650 drilling days, except for drill pipe and drill collars, which are depreciated over 1,100 drilling days. Service rig equipment is depreciated on a unit-of-production method based on 1,500 days for single and double rigs and 2,000 days for heavy double rigs.

Field technical equipment is depreciated on the straight-line method over periods ranging from two to five years.

Rental equipment is depreciated on the straight-line method over periods ranging from five to 15 years. Other equipment is depreciated on a straight-line basis over periods ranging from three to 10 years.

Light duty vehicles are depreciated on the straight-line method over four years. Heavy-duty vehicles are depreciated on the straight-line basis over 10 years.

Buildings are depreciated on the straight-line method over periods ranging from 10 to 30 years.

(d) Revenue recognition:

Revenue is primarily recognized as services are rendered based upon agreed daily, hourly, or job rates. The Corporation's manufacturing operations recognize revenue on work in progress on a percentage of completion basis.

(e) Investments:

Investments in shares of associated companies, over which the Corporation has significant influence, are accounted for by the equity method. Other investments are carried at cost. If there are other than temporary declines in value, these investments would be written down to their net realizable value.

(f) Deferred financing costs:

Costs associated with the issuance of long-term debt are deferred and amortized on the straight-line basis over the term of the debt. The amortization is included in interest expense.

(g) Goodwill:

Goodwill is recorded at cost and amortized on the straight-line method over 20 years. The recoverability of goodwill is assessed, if indications of impairment are present, based on estimated undiscounted future cash flows.

(h) Income taxes:

Effective January 1, 2000, the Corporation adopted the liability method of accounting for future income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Income tax expense is the sum of the Corporation's provision for current income taxes and the difference between opening and ending balances of the future income tax assets and liabilities.

Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of expense or income items), and were measured using the tax rates in effect in the year the differences originated.

The Corporation has adopted the new income tax accounting standard retroactively, without restating the financial statements of any prior period. As a result, the Corporation has recorded an adjustment to retained earnings and future tax liability, formerly the deferred tax liability, in the amount of $70.0 million as at January 1, 2000.

(i) Post employment benefits:

The Corporation has entered into an employment agreement with a senior officer, which provides for certain post employment benefits. Costs of these benefits are charged to earnings on a straight-line basis over ten years.

(j) Foreign currency translation:

Accounts of foreign operations, all of which are considered financially and operationally integrated, are translated to Canadian dollars using average exchange rates for the year for revenue and expenses. Monetary assets and liabilities are translated at the year end current exchange rate and non-monetary assets and liabilities are translated using historical rates of exchange. Gains or losses resulting from these translation adjustments are included in net earnings. Gains and losses related to foreign currency denominated long-term debt are deferred and amortized over the term of the debt.

(k) Stock-based compensation plans:

The Corporation has equity incentive plans, which are described in Note 6. No compensation expense is recognized for these plans when stock options are issued. Any consideration received on exercise of the stock options is credited to share capital.

(l) Research and engineering:

Research and engineering costs are charged to income as incurred. Costs associated with the development of new operating tools and systems are expensed during the period unless the recovery of these costs can be reasonably assured given the existing and anticipated future industry conditions. Upon successful completion and field testing of the tools any deferred costs are transferred to the related capital asset accounts.

(m) Earnings and funds provided by operations per share:

Basic earnings and funds provided by operations per share are calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings and funds provided by operations per share are calculated by adjusting earnings and funds from operations by the imputed earnings on funds which would have been received on exercise of options and by adjusting the weighted average number of shares outstanding by the number of options outstanding.

(n) Comparative figures:

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

2. INVENTORY:

		2000		1999
Finished goods and work in progress	$	52,600	$	23,930
Operating supplies		16,123		18,406
Manufacturing parts and materials		16,965		17,230
	$	85,688	$	59,566

3. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated Depreciation	Net Book Value
2000			
Rig equipment	$ 848,476	$ 163,244	$ 685,232
Field technical equipment	306,552	20,384	286,168
Rental equipment	86,656	23,321	63,335
Other equipment	176,945	36,219	140,726
Vehicles	67,968	13,608	54,360
Buildings	44,935	7,766	37,169
Other	13,489	6,973	6,516
Land	14,426	–	14,426
	$ 1,559,447	$ 271,515	$ 1,287,932
1999			
Rig equipment	$ 632,015	$ 126,935	$ 505,080
Field technical equipment	106,563	11,962	94,601
Rental equipment	80,815	22,877	57,938
Other equipment	76,259	29,289	46,970
Vehicles	27,174	9,592	17,582
Buildings	26,093	5,186	20,907
Other	13,062	5,569	7,493
Land	11,018	–	11,018
	$ 972,999	$ 211,410	$ 761,589

4. OTHER ASSETS:

		2000		1999
Investments, at cost less provision for impairment	$	4,125	$	4,494
Investments, at equity		3,183		2,905
Deferred financing costs, net of accumulated amortization		8,927		8,389
Deferred foreign exchange loss (gain)		210		(2,421)
	$	16,445	$	13,367

5. **LONG-TERM DEBT:**

	2000	1999
Unsecured debentures – Series 1	$ 200,000	$ 200,000
Unsecured debentures – Series 2	150,000	–
Unsecured notes (US $35,000)	–	50,516
EDC facility (US $18,472)	27,712	34,278
EDC facility (US $50,000)	75,010	–
Extendable revolving unsecured facility	94,468	–
Equipment loans	30,760	–
Capital lease obligations	5,499	545
	583,449	285,339
Less amounts due within one year	35,353	58,524
	$ 548,096	$ 226,815

The $200.0 million 6.85% Series 1 unsecured debentures mature June 26, 2007 and have an effective interest rate of 7.44% after taking into account deferred financing costs. The debentures are redeemable at any time at the option of the Corporation upon payment of a redemption price equal to the greater of an amount calculated with reference to the yield on a Government of Canada bond with the same maturity, and par.

The $150.0 million 7.65% Series 2 unsecured debentures mature October 27, 2010 and have an effective interest rate of 7.71% after taking into account deferred financing costs. The debentures are redeemable at any time at the option of the Corporation upon payment of a redemption price equal to the greater of an amount calculated with reference to the yield on a Government of Canada bond with the same maturity, and par.

The $27.7 million unsecured term financing facility with the Export Development Corporation (EDC) is repayable in semi-annual installments, matures on January 20, 2004 and bears interest at six-month US Libor plus applicable margin. The margin is dependent upon the Corporation's credit rating, which at December 31, 2000 resulted in a margin of 0.8%.

The $75.0 million unsecured term financing facility with the EDC is repayable over five years in semi-annual installments, matures September 15, 2005 and bears interest at six-month US Libor plus applicable margin. The margin is dependent upon the Corporation's credit rating, which at December 31, 2000 resulted in a margin of 0.9%.

The Corporation has an extendable revolving unsecured facility of $300.0 million (or US equivalent) with a syndicate led by a Canadian chartered bank. Advances under the facility bear interest at the bank's prime lending rate, US base rate, US Libor plus applicable margin or Bankers' Acceptance plus applicable margin. The applicable margin is dependent on the Corporation's credit rating, which at December 31, 2000 resulted in a margin of 0.75%. The facility is extendable annually at the option of the lenders. Should this facility not be extended, outstanding amounts will be transferred to a two-year term facility repayable in equal quarterly installments. As at December 31, 2000 the Corporation had drawn $194.5 million under this facility, $100.0 million of which has been included in bank indebtedness as the funds were used to finance working capital.

Equipment loans of $30.8 million bear interest at rates between 8.26% and 8.75% and are repayable in monthly installments. These loans are secured by specific well servicing equipment.

Principal repayments over the next five years are as follows:	
2001	$ 35,353
2002	32,866
2003	35,537
2004	19,673
2005	15,041

6. SHARE CAPITAL:

Authorized:

- unlimited number of non-voting cumulative convertible redeemable preferred shares without nominal or par value
- unlimited number of common shares without nominal or par value

The following is a summary of the changes in share capital:

Issued:

Common Shares:	Number	Amount
Balance, December 31, 1998	42,078,518	$ 504,541
Issued on acquisition of Computalog	4,031,441	106,107
Issued on acquisition of Underbalanced	217,158	5,716
Options exercised	835,902	11,559
Balance, December 31, 1999	47,163,019	$ 627,923
Issued on acquisition of Plains	113,882	6,555
Issued on acquisition of CenAlta	4,025,743	202,535
Issued on acquisition of AQRIT assets	48,000	2,500
Options exercised	932,409	21,009
	52,283,053	$ 860,522
Warrants issued on acquisition of Plains		22,897
Warrants repurchased by the Corporation		(18,924)
Balance, December 31, 2000		**$ 864,495**

Each of the 351,604 warrants outstanding entitle the holder thereof to acquire one common share at an exercise price of $64.00 at any time prior to 4:00 p.m. on December 31, 2001. The warrant holders were entitled to put the warrants to Precision at any time prior to September 29, 2000 in return for $11.30 cash for each full warrant and holders of 1,674,671 warrants exercised their option to do so.

The Corporation has equity incentive plans under which a combined total of 5,208,823 options to purchase common shares can be granted to employees and directors. Under these plans, the exercise price of each option equals the fair market value of the Corporation's stock on the date of the grant and an option's maximum term is five years. Options generally vest over a period of four years from the date of grant as employees or directors render continuous service to the Corporation.

A summary of the status of the equity incentive plans as at December 31, 1999 and 2000, and changes during the periods then ended is presented below:

	Options Outstanding	Range of Exercise Price	Weighted Average Exercise Price	Options Exercisable
Outstanding at December 31, 1998	3,370,600	$ 6.50 – 44.38	$ 15.89	772,000
Granted	1,718,540	13.50 – 33.60	28.12	
Exercised	(835,902)	6.50 – 34.50	13.87	
Cancelled or expired	(313,400)	7.00 – 34.50	24.21	
Outstanding at December 31, 1999	3,939,838	$ 13.50 – 44.38	$ 25.57	827,097
Granted	1,615,474	25.50 – 54.20	39.51	
Exercised	(932,409)	13.50 – 34.50	22.53	
Cancelled or expired	(148,800)	16.30 – 40.25	28.55	
Outstanding at December 31, 2000	4,474,103	$ 13.50 – 54.20	$ 31.18	946,087

The range of exercise prices for options outstanding at December 31, 2000 are as follows:

	Total Options Outstanding			*Exercisable Options*	
Range of Exercise Prices:	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number	Weighted Average Exercise Price
$ 13.50 – 19.99	712,854	$ 14.49	2.2	301,904	$ 14.52
20.00 – 29.99	772,985	25.05	2.0	282,658	24.12
30.00 – 39.99	2,126,590	34.58	3.6	346,525	33.58
40.00 – 49.99	805,274	41.11	4.6	15,000	44.38
50.00 – 54.20	56,400	52.24	4.5	–	–
$ 13.50 – 54.20	4,474,103	$ 31.18	3.3	946,087	$ 24.84

7. EMPLOYEE BENEFIT PLANS:

The Corporation has a defined contribution employee benefit plan covering a significant number of its employees. The Corporation matches individual employee contributions up to 5% of the employee's compensation. Employer matching contributions under the plan totalled $4.3 million for the year ended December 31, 2000 (year ended December 31, 1999 - $3.0 million).

8. COMMITMENTS:

The Corporation has commitments for operating lease agreements in the aggregate amount of $120.6 million. Payments over the next five years are as follows:

2001	$ 22,279
2002	19,030
2003	14,715
2004	9,258
2005	8,314

Rent expense included in the statements of earnings is as follows:

Year ended December 31, 2000	$ 12,064
Year ended December 31, 1999	5,322

9. INCOME TAXES:

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	2000	1999
Earnings before income taxes	$ 209,411	$ 88,136
Income tax rate	45%	45%
Expected income tax provision	$ 94,235	$ 39,661
Add (deduct):		
Non-deductible expenses	1,458	1,313
Utilization of prior period losses	(1,828)	(1,657)
Non-deductible depreciation and amortization	10,106	10,146
Income taxed in jurisdictions with lower tax rates	(5,869)	–
Reduction of carrying amount of investments	–	4,926
Other	(317)	(503)
	$ 97,785	$ 53,886
Reduction of future tax balances due to substantively enacted tax rate reductions	(19,934)	–
	$ 77,851	$ 53,886

The Federal Government of Canada introduced tax rate reductions to be implemented over the next four years in its February 28 and October 18, 2000 budgets. The effect of the combined 7% tax rate reduction, from 29% to 22%, on the Corporation's future tax balances has been reflected as a reduction of future tax expense in 2000.

The Corporation's operations are complex and the computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. There are tax matters that have not yet been confirmed by taxation authorities, however, management believes that the provision for income taxes is adequate.

The net future tax liability (1999 – deferred tax liability) is comprised of the tax effect of the following temporary differences:

	2000	1999
Liabilities:		
Property, plant and equipment	$ 220,364	$ 87,371
Assets held in partnership with different tax year	67,332	19,522
Deferred financing costs	3,358	3,859
	$ 291,054	$ 110,752
Assets:		
Losses carried forward	$ 30,528	$ –
Reserves	2,902	2,946
Share issue costs	–	1,193
	$ 33,430	$ 4,139
	$ 257,624	$ 106,613

10. EARNINGS AND FUNDS PROVIDED BY OPERATIONS PER SHARE:

Per share amounts have been calculated on the weighted average number of common shares outstanding. The weighted average shares outstanding for the year ended December 31, 2000 was 48,722,141 (year ended December 31, 1999 – 44,499,837).

Fully diluted per share amounts reflect the dilutive effect of the exercise of the options and warrants outstanding. The fully diluted shares outstanding for the year ended December 31, 2000 was 52,886,723 (year ended December 31, 1999 – 47,851,960). Earnings on the funds which would have been received on exercise of the options have been imputed at 5% per annum.

11. SIGNIFICANT CUSTOMERS:

During the years ended December 31, 2000 and 1999, no one customer accounted for more than 5% of the Corporation's revenue.

12. ACQUISITIONS:

During the year ended December 31, 2000, the Corporation completed business acquisitions, the most significant of which were:

(a) Acquisition of all the issued and outstanding shares of Plains Energy Services Ltd. (Plains) in July 2000. Plains provides wireline, surface control systems, well servicing and contract drilling services to the oil and gas industry and engineers, manufactures, sells and operates specialty products, tools and equipment.

(b) Acquisition of all the issued and outstanding shares of CenAlta Energy Services Inc. (CenAlta) in October 2000. CenAlta provides equipment and crews for the servicing and drilling of oil and natural gas wells in western Canada.

(c) Acquisition of the global directional drilling and electromagnetic measurement while drilling business and associated assets from Geoservices S.A. (Geoservices) in October 2000.

The acquisitions have been accounted for by the purchase method with results of operations of the acquired businesses included in the financial statements from the effective dates of acquisition. The details of the acquisitions are as follows:

	Plains	CenAlta	Geoservices	Other	Total
Net assets acquired at assigned values:					
Working capital	$ 11,178	$ (2,240)	$ 6,717	$ 18	$ 15,673
Property, plant and equipment	124,847	219,411	85,500	17,401	447,159
Goodwill	188,540	72,351	–	7,972	268,863
Other assets	28	–	–	–	28
Long-term debt	(42,535)	(50,725)	–	–	(93,260)
Future income taxes	(4,755)	(34,262)	–	–	(39,017)
	$ 277,303	$ 204,535	$ 92,217	$ 25,391	$ 599,446
Consideration:					
Common shares	$ 6,555	$ 202,535	$ –	$ 2,500	$ 211,590
Warrants	22,897	–	–	–	22,897
Cash	247,851	2,000	92,217	22,891	364,959
	$ 277,303	$ 204,535	$ 92,217	$ 25,391	$ 599,446

The following proforma information provides an indication of what the Corporation's results of operations would have been had Plains and CenAlta been acquired effective January 1, 2000:

	2000
Revenues	$1,546,431
Earnings before goodwill amortization	129,692
Net earnings	99,304
Earnings per share before goodwill amortization:	
Basic	$ 2.50
Fully diluted	2.37
Earnings per share:	
Basic	$ 1.91
Fully diluted	1.83

During the year ended December 31, 1999 the Corporation completed several acquisitions, the most significant of which were:

(a) Acquisition of all the issued and outstanding shares of Computalog Ltd. (Computalog) in July 1999. Computalog provides electric wireline logging services and directional drilling services to the oil and gas industry and manufactures and sells specialty products, tools and equipment.

(b) Acquisition of all the issued and outstanding shares of Underbalanced Drilling Systems Ltd. (Underbalanced) in July 1999. Underbalanced provides a service gas for use in underbalanced drilling applications.

The acquisitions have been accounted for by the purchase method with results of operations of the acquired entities included in the financial statements from the effective dates of acquisition. The details of the acquisitions are as follows:

	Computalog	Underbalanced	Other	Total
Net assets acquired at assigned values:				
Working capital	$ 49,798[a]	$ (303)[b]	$ (3)	$ 49,492
Property, plant and equipment	82,628	7,149	10,716	100,493
Investments	3,204	–	–	3,204
Deferred financing costs	321	–	–	321
Goodwill	55,518	–	655	56,173
Long-term debt	(52,165)	(911)	(7,279)	(60,355)
Deferred income taxes	(5,663)	–	(2)	(5,665)
	$ 133,641	$ 5,935	$ 4,087	$ 143,663
Consideration:				
Common Shares	$ 106,107	$ 5,716	$ –	$ 111,823
Carrying amount of Computalog shares acquired prior to April 30, 1999	23,070	–	–	23,070
Carrying amount of investment prior to January 1, 1999	–	–	1,528	1,528
Cash	4,464	219	2,559	7,242
	$ 133,641	$ 5,935	$ 4,087	$ 143,663

(a) *Includes cash of $9,392*

(b) *Includes cash of $100*

13. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) which, in the case of the Corporation conform with United States generally accepted accounting principles (US GAAP) in all material respects, except as follows:

(a) ***Income taxes:***

In 1999 the Corporation followed the deferral method of accounting for income taxes. In 2000 the Corporation adopted the liability method as described in Note 1(h) without restatement of prior years. For 1999 and 2000 US GAAP required the use of the liability method prescribed in the Statement of Financial Accounting Standards No. 109, which substantially conforms with the Canadian GAAP accounting standard adopted in 2000. In 1999, adoption of US GAAP would have increased both goodwill and future tax liability by $70.0 million. In 2000 the US GAAP financial statements would reflect an increase of goodwill of $66.5 million and a corresponding increase in retained earnings. An additional charge to earnings of $3.5 million would be required related to this goodwill.

Under Canadian GAAP, future tax liabilities and assets are calculated by reference to current tax legislation and proposed legislation that is considered to be substantively enacted but not yet enacted into law. US GAAP requires that only enacted income tax legislation be used for calculation of future tax amounts.

(b) *Translation of foreign currency denominated debt:*

Under Canadian GAAP, gains and losses on translation of foreign currency denominated debt are deferred and amortized over the debt term. US GAAP requires that such gains and losses be included in the determination of income.

(c) *Per share amounts:*

The Corporation calculates its fully diluted earnings per share following the policy outlined in Note 10. US GAAP requires the use of the treasury stock method for diluted per share amounts.

The application of the US accounting principles would have the following impact on the consolidated financial statements:

Consolidated Statements of Earnings

Years ended December 31,	2000	1999
Net earnings under Canadian GAAP	$ 131,560	$ 34,250
Adjustments under US GAAP:		
Goodwill amortization	(3,502)	–
Income tax rate	(19,934)	–
Foreign currency translation	(210)	2,421
Net income and comprehensive income under US GAAP	$ 107,914	$ 36,671
Earnings per share under US GAAP:		
Basic	$ 2.22	$ 0.80
Fully diluted	$ 2.14	$ 0.79

Balance Sheet

As at December 31,	2000		1999	
	As reported	US GAAP	As reported	US GAAP
Current assets	$ 533,257	$ 533,257	$ 354,510	$ 354,510
Property, plant and equipment	1,287,932	1,287,932	761,589	761,589
Goodwill	550,502	617,032	304,400	374,432
Other assets	16,445	16,235	13,367	15,788
	$ 2,388,136	$ 2,454,456	$ 1,433,866	$ 1,506,319
Current liabilities	$ 375,521	$ 375,521	$ 191,643	$ 191,643
Long-term debt	548,096	548,096	226,815	226,815
Future income taxes	257,624	277,558	–	176,645
Deferred income taxes	–	–	106,613	–
Shareholders' equity	1,206,895	1,253,281	908,795	911,216
	$ 2,388,136	$ 2,454,456	$ 1,433,866	$ 1,506,319

Stock Compensation

Under Canadian GAAP, no compensation cost has been recognized for stock options in the financial statements. Under US GAAP, the Corporation applied APB Opinion No. 25 in accounting for stock options and, accordingly, no compensation cost is recognized in earnings. The per share weighted-average fair value of stock options granted during the year ended December 31, 2000 was $18.21 (year ended December 31, 1999 - $8.66) on the date of grant using the Black Scholes option-pricing model with the following assumptions: risk free interest rate of 6.0%, expected life of five years and expected volatility of 61% (year ended December 31, 1999 – risk-free interest rate of 5%, expected life of five years and expected volatility of 46%).

Had the Corporation determined compensation cost based on the fair value at the date of grant for its stock options under SFAS 123, net earnings in accordance with US GAAP would have decreased by $16.8 million to $91.2 million (basic EPS - $1.87) for the year ended December 31, 2000 and decreased by $6.3 million to $27.9 million (basic EPS - $0.63) for the year ended December 31, 1999. These pro forma earnings reflect compensation cost amortized over the options' vesting period.

Comprehensive Income

Comprehensive income is equal to net earnings.

14. SEGMENTED INFORMATION:

The Corporation operates in three industry segments. Contract Drilling Services, which provides drilling services and well servicing rigs, Oilfield Specialty Services, which includes well testing, underbalanced drilling, wireline and directional drilling services and the manufacture and sale of wireline tools and equipment, and Rental and Production Services, which includes compression equipment design, packaging, sales and service, oilfield equipment rental services, industrial equipment rentals (to February 18, 1999) and other industrial process services.

	Contract Drilling Services	Oilfield Specialty Services	Rental and Production Services	Corporate and Other	Total
2000					
Revenue	$ 743,544	$ 372,425	$ 239,220	$ 264	$ 1,355,453
Operating earnings	212,633	30,620	43,289	(25,697)	260,845
Research and engineering	–	20,288	–	–	20,288
Depreciation	58,194	27,969	13,995	1,142	101,300
Assets	1,376,007	718,680	203,113	90,336	2,388,136
Capital expenditures*	97,498	78,468	21,828	3,210	201,004
1999					
Revenue	$ 429,848	$ 125,954	$ 178,938	$ –	$ 734,740
Operating earnings	97,864	6,796	19,705	(6,871)	117,494
Research and engineering	–	3,629	–	–	3,629
Depreciation	40,036	12,305	14,575	312	67,228
Assets	827,412	345,492	188,524	72,438	1,433,866
Capital expenditures*	27,670	9,138	15,800	3,509	56,117

* *excludes acquisitions*

The Corporation's operations are carried on in the following geographic locations:

	Domestic	International	Total
2000			
Revenue	**$ 1,105,183**	**$ 250,270**	**$ 1,355,453**
Assets	**2,048,219**	**339,917**	**2,388,136**
1999			
Revenue	$ 615,222	$ 119,518	$ 734,740
Assets	1,271,228	162,638	1,433,866

15. FINANCIAL INSTRUMENTS:

The carrying value of cash, investments in short-term commercial paper, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments. The fair value of long-term debt, exclusive of the unsecured debentures, approximates its carrying value as it bears interest at floating rates. The $200 million Series 1 debentures have a fair value of approximately $199.5 million as at December 31, 2000 (December 31, 1999 - $191.8 million) and the $150 million Series 2 unsecured debentures have a fair value of approximately $152.6 million at December 31, 2000. Investments have a carrying value of $7.3 million (December 31, 1999 - $7.4 million) and a fair value of approximately $12.0 million (December 31, 1999 - $7.4 million) as at December 31, 2000.

Accounts receivable includes balances from a large number of customers. The Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Corporation views the credit risks on these amounts as normal for the industry. At December 31, 2000 the Corporation's allowance for doubtful accounts was $8.2 million (December 31, 1999 - $6.6 million).

The Corporation manages its exposure to interest rate risks through a combination of fixed and floating rate borrowings. As at December 31, 2000, 34% of its total long-term debt was in floating rate borrowings.

The Corporation is exposed to foreign currency fluctuations in relation to its international operations, however, management believes this exposure is not material to its overall operations.

16. SUPPLEMENTAL CASH FLOW INFORMATION:

	2000	1999
Cash interest paid	**$ 29,504**	$ 16,663
Cash income taxes paid	**34,771**	120,238
Components of change in non-cash working capital balances:		
Accounts receivable	**$ (120,686)**	$ (48,414)
Inventory	**(6,391)**	(4,927)
Accounts payable and accrued liabilities	**64,479**	16,072
Income taxes payable	**1,610**	(24,950)
	$ (60,988)	$ (62,219)

The components of accounts payable and accrued liabilities are as follows:

	2000	1999
Accounts payable	$ 68,903	$ 40,494
Accrued liabilities:		
Payroll	50,522	25,959
Other	108,123	63,313
	$ 227,548	$ 129,766

17. CONTINGENCIES:

The Corporation, through the performance of its services and product sales obligations, is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury, completed operations or product liability. The Corporation maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage can be maintained. The Corporation has no outstanding claims having a potentially material adverse effect on the Corporation as a whole.

18. SUBSEQUENT EVENT:

In January 2001, the Corporation acquired BecField Drilling Services Ltd. (BecField) for cash consideration of $30.0 million. BecField provides directional drilling and measurement while drilling services through its technical field and support personnel to the onshore and offshore oil and gas industry. It has established operations in Europe and the Middle East.

Canadian...

– you bet! – and proud of our global presence!

SHARE TRADING SUMMARY — THE TORONTO STOCK EXCHANGE

Canadian	High ($)	Low ($)	Close ($)	Volume of Shares	Value ($)
2000					
March 31	48.95	33.90	48.55	15,684,504	643,952,179
June 30	59.50	43.80	57.20	15,846,874	851,428,913
September 30	59.00	47.90	53.85	13,604,034	731,986,873
December 31	57.15	39.30	56.25	15,461,804	747,323,156
	59.50	33.90	56.25	60,597,216	2,974,691,121
1999					
March 31	21.50	13.25	19.50	13,718,204	234,035,097
June 30	30.75	18.45	28.00	14,673,427	384,072,934
September 30	40.60	27.05	34.00	14,029,216	487,923,911
December 31	39.45	28.25	37.00	8,875,591	294,174,872
	40.60	13.25	37.00	51,296,438	1,400,206,814

SHARE TRADING SUMMARY — THE NEW YORK STOCK EXCHANGE

US	High ($)	Low ($)	Close ($)	Volume of Shares	Value ($)
2000					
March 31	33.75	23.31	33.38	14,504,500	416,080,112
June 30	40.38	29.38	38.63	14,323,200	512,362,421
September 30	39.56	32.38	35.63	12,586,000	455,927,521
December 31	37.94	25.56	37.53	15,878,300	491,100,502
	40.38	23.31	37.53	57,292,000	1,875,470,556
1999					
March 31	14.00	8.81	13.00	4,453,900	50,536,487
June 30	21.13	12.31	19.06	7,252,400	126,663,654
September 30	27.75	18.38	23.19	9,008,500	212,591,281
December 31	26.94	19.13	25.69	9,422,900	212,297,850
	27.75	8.81	25.69	30,137,700	602,089,272

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

($ millions except per share amounts)	Years ended December 31 2000	Years ended December 31 1999	Years ended April 30 1999	Years ended April 30 1995	Years ended April 30 1990	8 months ending Dec. 31 1985
Revenue	**1,355.5**	734.7	693.9	178.6	31.7	4.0
Expenses:						
Operating	**870.2**	488.0	450.1	122.4	24.7	3.3
General and administrative	**102.9**	58.4	51.1	12.1	3.9	0.3
Depreciation	**101.3**	67.2	61.1	9.8	1.1	0.2
Research and engineering	**20.3**	3.6	–	–	–	–
Operating earnings	**260.8**	117.5	131.6	34.3	2.0	0.2
Interest, net	**28.6**	16.5	18.9	1.5	1.2	–
Gain on disposal of subsidiary and investments	–	(26.3)	(34.8)	–	–	–
Reduction of carrying amount of investments	–	13.1	11.0	–	–	–
Reduction of carrying amount of property, plant and equipment	–	10.2	10.2	–	5.1	–
Forgiveness of long-term debt	–	–	–	–	(5.2)	–
Dividend income	–	–	–	0.7	–	–
Earnings before taxes, goodwill amortization and minority interest	**232.2**	104.0	126.3	33.5	0.9	0.2
Income taxes	**77.9**	53.9	58.0	16.4	–	0.1
Earnings before goodwill amortization and minority interest	**154.3**	50.1	68.3	17.1	0.9	0.1
Goodwill amortization	**22.7**	15.8	14.9	–	–	–
Earnings before minority interest	**131.6**	34.3	53.4	17.1	0.9	0.1
Minority interest	–	–	–	0.2	–	–
Net earnings	**131.6**	34.3	53.4	16.9	0.9	0.1
Retained earnings, beginning of period	**280.9**	246.6	206.9	20.7	5.7	–
Adjustment on adoption of liability method of accounting for income taxes	**(70.1)**	–	–	–	–	–
Adjustment on purchase and cancellation of share capital	–	–	–	(0.2)	–	–
Retained earnings, end of period	**324.4**	280.9	260.3	37.4	6.6	0.1
Earnings before goodwill amortization and minority interest per share:						
Basic ($)	**3.17**	1.13	1.62	1.04	0.08	0.01
Fully diluted ($)	**2.98**	1.09	1.56	0.95	n/a	n/a
Earnings per share:						
Basic ($)	**2.70**	0.77	1.27	1.03	0.08	0.01
Fully diluted ($)	**2.55**	0.76	1.22	0.94	n/a	n/a

ADDITIONAL SELECTED FINANCIAL DATA

($ millions except per share amounts)	Years ended December 31 2000	1999	Years ended April 30 1999	1995	1990	8 months ending Dec. 31 1985
Returns						
Return on sales [1]	**9.7%**	4.7%	7.7%	9.5%	2.8%	3.0%
Return on assets [2]	**7.5%**	2.6%	9.3%	14.7%	3.2%	3.7%
Return on equity [3]	**13.5%**	4.2%	15.9%	29.1%	7.0%	8.7%
Financial position						
Working capital	**157.7**	162.9	91.2	8.4	3.8	0.1
Current ratio	**1.42**	1.85	1.54	1.21	1.53	1.05
Net fixed assets	**1,287.9**	761.6	683.5	66.8	15.7	2.9
Total assets	**2,388.1**	1,436.3	1,247.7	119.1	27.4	4.8
Long–term debt	**548.1**	226.8	215.0	1.4	5.6	0.8
Shareholders' equity	**1,206.9**	908.8	768.3	67.0	12.7	2.1
Long–term debt to shareholders' equity	**0.45**	0.25	0.28	0.02	0.44	0.37
Net capital expenditures excluding acquisitions	**180.5**	41.1	88.3	11.8	1.1	1.4
EBITDA [4]	**362.1**	184.9	192.7	44.1	3.1	0.4
EBITDA – % of sales	**26.7%**	25.2%	27.8%	24.7%	9.8%	10.8%
Operating earnings	**260.8**	117.5	131.6	34.3	2.0	0.2
Operating earnings – % of sales	**19.2%**	16.0%	19.0%	19.2%	6.2%	5.7%
Cash flow [5]	**297.9**	100.0	78.0	28.3	2.0	0.4
Cash flow per share ($)	**6.11**	2.25	1.85	1.73	0.18	0.04
Depreciation	**101.3**	67.2	61.1	9.8	1.1	0.2
Common share data						
Book value per share ($) [6]	**24.75**	20.42	18.26	4.09	1.14	0.23
Earnings per share ($) [7]	**2.70**	0.77	1.27	1.03	0.08	0.01
Price earnings ratio [8]	**20.8**	48.1	19.8	6.7	17.4	–
Weighted average common shares outstanding (000's)	**48,772**	44,500	42,086	16,398	11,218	9,006

(1) *Return on sales was calculated by dividing net earning by total revenues*
(2) *Return on assets was calculated by dividing net earnings by average total assets*
(3) *Return on equity was calculated by dividing net earnings by average total shareholders' equity*
(4) *Earnings before interest, taxes, depreciation and amortization*
(5) *Funds provided from operations excluding forgiveness of debt for 1990 and funds provided from operations combined with dividend income*
(6) *Book value per share was calculated by dividing shareholders' equity by total weighted average number of common shares outstanding*
(7) *Earning per share was calculated by dividing net earnings by the total weighted average number of common shares outstanding*
(8) *Year end closing price divided by basic earnings per share*

WHO WE ARE AND HOW TO FIND US

HEAD OFFICE

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Facsimile: 62-21-7883-5383

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Facsimile: 00971-2-6442765

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P.D. Technical Services Ltd.
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Precision Drilling de Venezuela, C.A.
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El Tigre, Estado Anzoategui, Venezuela
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Precision Drilling International
4400, 150-6th Avenue SW
Calgary, Alberta T2P 3Y7
Telephone: (403) 716-4500
Facsimile: (403) 716-4867

MAJOR SUBSIDIARIES, DIVISIONS AND OPERATIONS MANAGEMENT

Advantage Engineering Services, Inc.
Mike Larronde
President

CEDA International Corporation
Roger Hearn
Senior Vice President

Columbia Oilfield Supply Ltd.
Martin Byar
General Manager

Computalog Ltd.
Neil Brown
President

Ducharme Oilfield Rentals
Big D Rentals
Gordon Skulmoski
Vice President, General Manager

Energy Industries Inc.
Ivan Heidecker
General Manager

Fleet Cementers, Inc.
Tim Dame
President

Fleet Coil Technologies (U.S.) Corp.
Kyle Swingle
President

Live Well Service
Larry MacPherson
General Manager

LRG Catering Ltd.
Doug White
General Manager

MAJOR SUBSIDIARIES, DIVISIONS AND OPERATIONS MANAGEMENT *(Continued)*

Northland-Norward Energy Services
Entest
Carel Hoyer
President

Oilfield Specialty Services
Kurt Beilner
Regional Director of Operations
Europe/Africa

Marwan Bitar
Regional Director of Operations
Middle East

Jerry Dugas
Regional Director of Operations
Latin America

John Mahar
Regional Director of Operations
US

Dan Robson
Regional Director of Operations
Asia Pacific

Plains Perforating Ltd.
Challenger/Silverline
Chris Oddy
President

Polar Completions Engineering Inc.
John Nash
President, Sales and Operations

Vitold Serafin
President, Engineering and Manufacturing

Precision Drilling International
Mark Helmer
Vice President

Precision Drilling de Venezuela, C.A.
David Hobbs
President

Precision Drilling Limited Partnership
Dwayne Peters
Senior Vice President

Ron Berg
Vice President

Doug Evasiuk
Vice President

John Jacobsen
Vice President

Precision Well Servicing
Marv Clifton
Senior Vice President

Rostel Industries Ltd.
Yook Tong
General Manager

Smoky Oilfield Rentals
Tom Facette
Vice President, General Manager

United Diamond Ltd.
Ian Gillis
President

BANKER

Royal Bank of Canada
Calgary, Alberta

LEGAL COUNSEL

Borden Ladner Gervais LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

WHO WE ARE AND HOW TO FIND US

DIRECTORS

W.C. (Mickey) Dunn (1)
Edmonton, Alberta

Robert J. S. Gibson (1) (2)
Calgary, Alberta

Steven C. Grant (2)
Houston, Texas

Murray K. Mullen (3)
Calgary, Alberta

Brian E. Roberts (3)
Calgary, Alberta

Hank B. Swartout
Calgary, Alberta

H. Garth Wiggins (1)
Calgary, Alberta

(1) Audit Committee Member
(2) Compensation Committee Member
(3) Corporate Governance Committee Member

OFFICERS

Hank B. Swartout
Chairman of the Board,
President and Chief Executive Officer

Dale E. Tremblay
Senior Vice President Finance
and Chief Financial Officer

Larry J. Comeau
Senior Vice President
Oilfield Specialty Services

W. Bruce Herron
Senior Vice President
Rental and Production Services

M.J. (Mick) McNulty
Vice President Finance

Jan M. Campbell
Corporate Secretary

STOCK EXCHANGE LISTINGS

Common shares of Precision Drilling Corporation are listed on The Toronto Stock Exchange under the trading symbol **PD** and on the New York Stock Exchange under the trading symbol **PDS**.

Warrants of Precision Drilling Corporation are listed on The Toronto Stock Exchange under the trading symbol **PD.WT**.

SHARE SPLIT

In 1997, Precision's Board of Directors authorized a two for one split of the Corporation's common shares. The record date for the split was September 30, 1997.

TRADING PROFILE

Toronto
January 1, 2000 to December 31, 2000
High: $59.50
Low: $33.90
Volume traded – 60.6 million

New York
January 1, 2000 to December 31, 2000
High: US$40.38
Low: US$23.31
Volume traded – 57.3 million

WHO WE ARE AND HOW TO FIND US

SHAREHOLDER INFORMATION

As a Precision Drilling Corporation shareholder, you are invited to take advantage of shareholder services or to request more information about the Corporation.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

TRANSFER POINT

Computershare Trust Company, Inc.
New York, New York

ACCOUNT QUESTIONS

Our Transfer Agent can help you with a variety of shareholder related services, including:

- Change of address
- Lost share certificates
- Transfer of stock to another person
- Estate Settlement

You can call our Transfer Agent toll free at: 1-800 558 0046

You can write them at:
Computershare Trust Company of Canada
600, 530-8th Ave. SW
Calgary, Alberta T2P 3S8

Or you can email them at:
caregistryinfo@computershare.com

Shareholders of record who receive more than one copy of this annual report can contact our Transfer Agent and arrange to have their accounts consolidated. Shareholders who own Precision shares through a brokerage firm can contact their broker to request consolidation of their accounts.

QUARTERLY UPDATES

If you would like to receive quarterly reports but are not a registered shareholder, please write or call us with your name and address. To receive our news releases by fax, please forward your fax number to us. To receive our news releases by e-mail, please visit our website at www.precisiondrilling.com and refer to the Investor Relations section.

ONLINE INFORMATION

Anyone with access to the Internet can view this annual report electronically at www.precisiondrilling.com

PUBLISHED INFORMATION

If you wish to receive copies of the 2000 Renewal Annual Information Form, or additional copies of this annual report, please contact:

Corporate Secretary
Precision Drilling Corporation
4200, 150-6th Avenue SW
Calgary, Alberta T2P 3Y7
Telephone: 403-716-4500
Fax: 403-264-0251

ESTIMATED INTERIM RELEASE DATES

2001 First Quarter
May 9, 2001

2001 Second Quarter
August 8, 2001

2001 Third Quarter
November 8, 2001

ANNUAL MEETING

The Annual General and Special Meeting of the Shareholders of Precision Drilling Corporation will be held in the McMurray Room of the Calgary Petroleum Club, 319-5th Avenue SW, Calgary, Alberta at 3:30 p.m. (Calgary time) on Tuesday, May 15, 2001. Shareholders are encouraged to attend and those unable to do so, are requested to complete the Form of Proxy at their earliest convenience.

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OUR GUIDANCE AND SUPPORT

Our Officers: from left to right Michael J. McNulty, Vice President Finance; Hank B. Swartout, Chairman, President and Chief Executive Officer; W. Bruce Herron, Senior Vice President Rental and Production Services; Dale E. Tremblay, Senior Vice President Finance and Chief Financial Officer; Jan M. Campbell, Corporate Secretary; Larry J. Comeau, Senior Vice President Oilfield Speciality Services.

Our Board of Directors: from left to right back row W. C. (Mickey) Dunn; Murray K. Mullen; Brian E. Roberts; H. Garth Wiggins; Robert J. S. Gibson. Seated front row Hank B. Swartout; Steven C. Grant.

PRECISION DRILLING CORPORATION
2000 ANNUAL REPORT

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